MASTER BUILDERS
AUSTRALIA

A national framework for recycled content traceability

Master Builders Australia provides the following response to the Discussion paper questions relevant to our work in this area.

Our submission provides some background on who we are, the value of building and construction to the economy and Master Builders Sustainability Goals in Section 1. Specific responses to issues raised in the Department of Climate Change, Energy, the Environment and Water (DCCEEW) Discussion Paper on a national framework for recycled content traceability follow in subsequent Sections 2 to 5.

Section 1: Industry overview

About Master Builders

Master Builders Australia (Master Builders) is the nation's peak building and construction industry association which was federated on a national basis in 1890. Master Builders' members are the Master Builder State and Territory Associations.

Over 130 years, the movement has grown to over 32,000 businesses nationwide, including the top 100 construction companies. Master Builders is the only industry association that represents all three sectors, namely residential, commercial and engineering/civil construction.

Australia's building and construction industry

Building and construction is one of the largest sectors of the Australian economy. Latest ABS figures indicate that the total value of building and construction work done over the year to September 2022 totalled $238.7 billion in value, an amount directly equivalent to 10.0 per cent of total GDP.

The building and construction industry employs 1.29 million people. About 86 per cent of these jobs are full-time in nature, a far higher proportion than in the rest of the economy. Construction has consistently been the economy's largest provider of full-time jobs over many decades.

The most up-to-date ABS data indicates that as at 30 June 2022, there was a total of 445,081 construction businesses in operation across Australia. This is more than every other sector of the economy. The overwhelming majority (98.7 per cent) are small businesses with less than 20 employees. Well over half of construction businesses (58.0 per cent) have no employees at all, typically operating as sole traders or partnerships.

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The small size of construction businesses is reflected in their pattern of turnover. The majority (57.2 per cent) turn over less than $200,000 per year. Just 1.4 per cent of building and construction businesses have annual revenues in excess of $10 million.

The structure of construction activity means that the support offered by it to other parts of the economy is strong. This is because there is a high domestic content to our industry's inputs including building materials, labour and professional services. As a result, it is estimated that for every one million dollars worth of residential building activity the entire economy is better off to the tune of three million dollars. Similarly, one million dollars worth of building and construction activity is estimated to support a total of nine full-time jobs across Australia's economy – including three jobs in other sectors outside of building and construction.

In terms of our industry's outputs, about $102.2 billion worth of civil and engineering construction was carried out over the year to September 2022. In addition to this, residential building work totalled $83.5 billion over the same period with $52.9 billion in non-residential building activity.

Latest figures show that work started on about 195,500 new homes over the year to September 2022, of which 124,800 were detached houses (64 per cent of the total). Over the same period, about 173,100 new homes were completed and became available to live in for the first time – meaning that a roof was put over the heads of an additional 448,300 Australians.

Over the year to September 2022, building work began on 4,205 new units of public housing – an increase of +11.4 per cent on one year earlier. At just 2.2 per cent, the share of new home building accounted for by the public sector is quite low by historic standards and this represents a key challenge going forward.

Master Builders Sustainability Goals

Master Builders released Sustainability Goals in July 2023. These goals outline Master Builders' commitment to fostering a more robust and sustainable industry.

By addressing critical issues affecting business performance, minimising risks, and maximising opportunities through an Environmental, Social, and Governance (ESG) framework, we aim to shape a sustainable future for businesses, workers and communities.

The Building and Construction Industry Sustainability Goals 2050 have been set to be achieved by 2050, with specific milestones set for 2030. Supporting these goals are three-year action plans, ensuring accountability and progress towards a sustainable future.

The specific ESG Goals include:

Environment

Net zero built environment

Buildings built to enable net zero emissions.

Resilient built environment

Building laws, standards, and performance are at an appropriate level to meet the health and wellbeing needs of our future population and contribute to better building outcomes.

Circular economy

The building and construction industry minimises its environmental footprint by reducing its quantum of waste, adopting best practice recycling programs, and minimising its water usage.

Social

Fair and safe workplace conditions

To achieve a sustained and ongoing reduction in fatalities and injuries within the building and construction industry.

Equality, diversity and inclusion

That the building and construction workforce reflects the Australian population.

Mental health

To ensure the building and construciton industry is known as a sector that fosters and supports positive workplace mental health and has eliminated (or substantially reduced) the incidence of suicide amongst industry participants.

Governance

Business conduct

The structures, frameworks and relationships in the industry supply chain reflect a profitable and sustainable outcome for all.

Community engagement

That the industry has developed and implemented best practice standards in community engagement.

More sustainable building practices and a commitment to achieve a net-zero built environment is part of our goal to reduce the environmental impact of the built environment. As part of the first three-year action plan for these goals, Master Builders is establishing partnerships in particular regarding product assurance, traceability and net zero innovation with a specific Building Products Coalition formed to advance work already started on developing better tools for the safe use of products. Master Builders is also part of the Building 4.0 CRC investigating automated tracking of construction materials.

Section 2: Introduction

Improving building product traceability is an important priority for the building and construction industry.

Master Builders sees that there are three key areas driving the need for improved traceability:

a. Building quality & safety – reliable information to determine whether a product is appropriate for a specific use.
b. Construction productivity – there is a driving imperative to ensure construction remains affordable and yet productivity is slipping meaning that we are doing less with more.
c. Environmental & Social Governance – imperative to be able to account for environmental and social impact of our buildings (e.g. carbon accounting and modern slavery reporting).

Currently, there are no agreed standards for building product manufacturers supplying the Australian construction industry to follow in relation to the creation, storage, management and exchange of product information. This makes it impossible for the industry to efficiently share reliable and trusted information about building products in a consistent way.

The National Building Product Assurance Framework (the Framework), prepared in response to the Building Confidence Report, sought to address these issues. While primarily focused on the safe use of building products in construction, the Framework needs to equally serve the other imperatives including recycled content.

The Framework reported that a national, industry-wide traceability system will bring greater certainty to compliance by ensuring the appropriate information is available where it is needed in the building delivery process and can be relied on.

The objective for building product traceability and identification under the Framework was:

> *Building product traceability and identification allows all participants across the building supply chain to efficiently share reliable and trusted information in a consistent way. It helps to address the lack of certainty that the building products specified and ordered are the ones that are delivered to site. It works through international standards to increase transparency as to the global knowledge on a product's performance. Up to date information can be accessed in the event of problems arising over the life of the building.*

For it to be effective in the building and construction industry, recycled content traceability must work within this framework.

Section 3: The framework

1. **Do you currently participate in traceability? If so, please tell us how. If not, how likely are you to adopt or participate in recycled content traceability in the next 2 years?**

Master Builder Australia participates in an industry alliance to advance building product traceability, the Building Products Coalition. Together we are working to advance a consistent system for product traceability over the coming two years.

Master Builders Victoria is also a participating in the Building 4.0 CRC project investigating automated tracking of construction materials. The objective of the project is to investigate traceability technology and processes in the construction industry that are critical to guaranteeing supply chain provenance, circular economy, sustainability and compliance, real time delivery schedules and improved project management when technology and sensors already exist to do this. Outcomes from this work will support the work of the Building Products Coalition.

2. **Do you support the framework adopting a technology-agnostic approach? Please tell us the reasons for your answer.**

Yes. For any traceability framework to deliver on its full potential it must reach across the supply chain and industry. Technology-centric approaches, particularly those where industry is forced to use a specific solution or provider have also led to resistance and lack of adoption. A technology-agnostic approach, leveraging foundational standards that are already proven and in use by industry, emphasising interoperability as a system design priority, is highly desirable.

3. **Do you support the framework adopting an outcomes-focused approach? Please tell us the reasons for your answer.**

Yes. Industry will respond more positively if the framework is less compliance driven and focuses on positive outcomes. Focusing on outcomes rather than prescriptive steps allows for flexibility and adaptation to diverse supply chains, encouraging broader adoption of traceability. This is especially important for smaller businesses (which form that vast majority of the construction industry) that are disproportionally impacted by activity centric rather than outcome-focused approaches. A flexible outcomes-based approach also allows industry to build on top of minimum traceability requirements to derive increased business value, improve return on investment and foster adoption.

4. **Should the framework include requirements to share data with government to support reporting, for example progress reporting against national recycling targets? Please tell us the reasons for your answer.**

Master Builders does not agree that mandatory reporting is required at this stage.

An outcomes-focused approach will drive transparent supply chains enabling 'soft compliance' and reduce the need for direct government enforcement.

13. **Is the proposed objective appropriate for a voluntary approach? If not, what else should be considered?**

Yes. The proposed objective is appropriate for a voluntary approach. The objective emphasises industry-led initiatives and encourages businesses to adopt traceability systems at their own pace and in line with the intended outcomes.

20. Should imported recycled materials be within scope of the framework once they enter Australia? If not, why not? If so, should the framework requirements apply in the same way to imported recycled materials? Please tell us the reasons for your answer.

Yes. Imported recycled materials should be in scope, as there should be a comprehensive and consistent approach to traceability, regardless of the source of the recycled materials. It also ensures a level playing field and maintains the integrity of the traceability process.

23. Would you require further guidance from governments to ensure interoperability of recycled content traceability systems is achieved? If so, what additional guidance would be required?

Yes. Master Builders is calling for a nationally coordinated regime for product assurance, conformity and traceability. Specifically, there should be a national body tasked to determine:

- standards for setting globally unique product identification codes based on ISO/IEC accredited product identification standards (e.g. GTIN);
- data templates for the building product information to be accessible from the identification codes;
- physical labelling or marking requirements; and
- data exchange protocols based on ISO/IEC accredited standards.

31. Should the key data elements described in Table 4 also be required for imported recycled materials? Please tell us the reasons for your answer?

Yes, the same key data elements should be required of both domestic and imported recycled materials. As previously mentioned, consistency in the application of the framework domestically and for imported materials is critical in ensuring the objectives of the framework.

33. Is the guidance on key data elements sufficient to support accurate and harmonised recycled content information? If not, what would you like to see from government to support this?

The guidance on key data elements is a crucial step in supporting accurate and harmonised recycled content information. However, to ensure the effective implementation of the framework and widespread adoption of traceability systems, additional support from the government may be required. Governments can provide guidance, resources, and training to businesses, particularly smaller ones, to help them understand and implement the data elements effectively. Additionally, promoting the adoption of standardised data vocabularies and information-sharing protocols can facilitate smooth interoperability among different systems.

35. If you are an end-user of recycled-content goods, what information would you most want to know about those goods? (For example, how much recycled content they contain; where the recycled content came from; or that the goods meet appropriate quality standards).

The first priority for the construction industry is ensuring that the products are fit for their intended purpose. The product assurance information should be sufficient to estimable evidence of suitability under the National Construction Code.

Section 4: Implementing the Framework

56. What opportunities are available or could be considered to encourage stakeholders along the recycled content supply chain to use the proposed framework?

Opportunities to encourage stakeholders to use the proposed framework include:

a) Incentives: Governments can provide incentives, such as grants or tax breaks, to businesses that adopt traceability measures consistent with the framework. Financial incentives can encourage more widespread adoption of traceability practices.

b) Certification Programs: Establishing certification programs that recognise businesses implementing the framework's traceability requirements can incentivise others to follow suit.

c) Market Demand: As consumers and businesses increasingly value transparency and sustainability, there may be a growing market demand for products with verified recycled content. This demand can encourage more stakeholders to use the framework to showcase their commitment to sustainability.

d) Industry Collaboration: Facilitating collaboration between stakeholders along the supply chain can lead to the sharing of best practices, knowledge exchange, and cost-sharing for implementing traceability systems.

57. Would any additional stakeholders have a role in implementing the proposed framework? If so, please provide details.

Additional stakeholders that could have a role in implementing the proposed framework include:

a) Third-Party Verification Bodies: Independent verification bodies play a crucial role in validating the accuracy and reliability of recycled content information. Engaging reputable verification bodies can add credibility to the traceability claims made by supply chain participants.

b) Industry Associations: Industry associations can promote the adoption of the framework among their members, facilitate the sharing of information and best practices, and represent the collective interests of businesses in specific sectors.

c) Standards organisations, such as GS1, Standards Australia and ISO, can contribute by aligning their traceability standards with the framework, making it easier for businesses to adopt standardised traceability practices.

d) Government procurement bodies: Incorporating the framework's requirements into government procurement can help drive demand for traceability practices.

58. Would the proposed guiding principles provide sufficient guidance to support implementation of the proposed framework? If not, what other principles should be considered?

The proposed guiding principles provide a solid foundation to support the implementation of the proposed framework. These principles emphasise key aspects of traceability and encourage responsible behaviour from all stakeholders involved in the recycled content supply chain.

However, there are a few additional principles that could be considered to further strengthen the guidance:

a) Holistic: The traceability framework must work seamlessly with wider traceability frameworks. In the construction industry this is the National Building Product Assurance Framework.

b) Sustainability: The framework could explicitly include sustainability as a guiding principle, highlighting the importance of promoting environmentally and socially responsible practices throughout the supply chain. This would reinforce the overarching goal of achieving greater material circularity and reducing the environmental impact of products.

c) Collaboration and Cooperation: Emphasising collaboration and cooperation among stakeholders could encourage the sharing of information, best practices, and resources. This would foster a collective effort to improve traceability and enhance the overall effectiveness of the framework.

d) Continuous Improvement: Encouraging a commitment to continuous improvement would urge stakeholders to regularly review and enhance their traceability systems and processes. This principle would promote adaptability to technological advancements and evolving industry best practices.

e) Accessibility and Inclusivity: Ensuring that the framework is accessible and inclusive to all stakeholders, including small and medium-sized enterprises, would promote widespread adoption and participation. This could be achieved through the provision of resources, training, and support tailored to different levels of capacity and resources.

f) Consumer Education: Incorporating consumer education as a guiding principle could emphasise the importance of informing and educating consumers about the benefits of recycled content and the significance of traceability. Educated consumers are more likely to make informed choices and support products with transparent and verified recycled content information. By incorporating these additional guiding principles, the framework would further enhance its effectiveness and ensure a comprehensive approach to achieving greater traceability and recycled content utilisation.

61. What additional guidance would you require from governments to support your implementation of the framework?

To support the implementation of the framework, businesses may require additional guidance from governments in several areas:

a) Clear and consistent traceability guidelines: Governments can provide comprehensive and standardised traceability guidelines that align with the proposed framework. These guidelines should clarify the expected traceability practices and the level of information to be collected and shared across the supply chain.

b) Financial support and incentives: Governments could consider offering financial support or incentives to help businesses offset some of the initial implementation costs. This could encourage more businesses to adopt traceability systems and contribute to achieving the broader objectives of the framework.

c) Training and capacity-building programs: Governments can facilitate training and capacity-building programs to help businesses understand the importance of traceability, learn how to implement traceability systems effectively, and address any challenges that may arise during the process.

d) Access to technical expertise: Governments could support businesses by providing access to technical experts or consultants with experience in implementing traceability systems. This support could be especially beneficial for smaller businesses that may lack the resources or expertise to implement traceability independently.

e) Collaboration platforms: Governments can play a role in creating collaboration platforms where stakeholders from different parts of the supply chain can exchange knowledge, share best practices, and address common challenges related to traceability implementation.

f) Periodic reviews and updates: Governments should commit to periodic reviews of the framework's effectiveness and make necessary updates based on feedback and evolving industry practices. Regular reviews would ensure that the framework remains relevant and effective in achieving its objectives.

By providing such guidance and support, governments can foster a conducive environment for businesses to adopt and implement the proposed framework effectively, leading to improved traceability, greater use of recycled content, and positive outcomes for the environment and the economy.

Section 5: Measuring the framework's success

65. Do you anticipate any changes to the operating or business environment that might have a substantial impact on implementation and review of the proposed framework? Please explain.

The operating and business environment is subject to various factors that might impact the implementation and review of the proposed framework. Some potential changes to consider include:

a) Regulatory developments: Changes in domestic or international regulations related to recycled content, embodied carbon, or circular economy initiatives may influence the framework's requirements or alignment with other standards. The construction industry, in particular, is preparing for the National Construction Code to include embodied energy requirements in 2028.

b) Technological advancements: Rapid advancements in technology could introduce new and more efficient traceability solutions, influencing the adoption and implementation of the framework.

c) Market demand and international trade: Evolving market demands and trade requirements for recycled content may drive businesses to prioritise traceability and align with international standards.

d) Economic conditions: Economic conditions, such as changes in resource prices or market volatility, can affect businesses' willingness to invest in traceability and recycled content usage.

e) Consumer awareness and behaviour: Changes in consumer awareness and preferences for sustainable products may impact the demand for traceable and recycled content goods. Monitoring and considering these changes during the review process will allow for a more informed assessment of the framework's effectiveness and potential adjustments to align with the evolving business and policy landscape.