

BEYOND COMPLIANCE

Profitability in Malaysia's
Circular Economy

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Executive Summary

The global economy is undergoing a transition towards circularity, driven by resource scarcity, environmental imperatives, and evolving market demands. For Malaysia, this shift presents not merely a regulatory challenge but a profound opportunity for sustainable economic growth and enhanced competitiveness. This report elucidates how the Malaysian private sector can move "beyond compliance" to unlock significant profitability within the circular economy (CE). By strategically embracing CE principles, businesses can achieve substantial cost optimization, cultivate new revenue streams, strengthen brand value, and mitigate operational risks.

Malaysia's proactive policy landscape, including the forthcoming Circular Economy Blueprint for Solid Waste (2025-2035) and the impending mandatory Extended Producer Responsibility (EPR) framework, provides a robust foundation for this transition. These policies, alongside incentives for waste-eco parks and green investments, are designed to foster a conducive environment for circular business models. Through a deep dive into profitability drivers, relevant case studies from Malaysia and ASEAN, and sector-specific opportunities, this report offers actionable recommendations for businesses, policymakers, and other stakeholders to collaboratively build a resilient, resource-efficient, and profitable circular economy in Malaysia.

02

Introduction:

Reshaping Malaysia's Business Landscape

Global Trends in Circular Economy Adoption and its Economic Drivers/Impacts

The transition to a CE is a global imperative, with significant economic implications:

- **Resource Security:** Reducing reliance on virgin materials enhances supply chain resilience against price volatility and geopolitical risks.
- **Economic Opportunity:** The global CE market is projected to reach over \$712 billion by 2026, representing massive opportunity for innovation, investment, and job creation.
- **Environmental Stewardship:** Minimizing waste, pollution, and carbon emissions contributes to climate action and ecosystem preservation.
- **Consumer & Investor Demand:** A growing segment of consumers and investors prioritize sustainability, driving market demand for circular products and services.

Malaysia's Commitment: An overview of the existing and upcoming circular economy policy framework and its implications in the private sector

Malaysia has recognized the urgency and opportunity of the CE, embedding its principles within national development agendas. The nation aims to increase its recycling rate from approximately 35% (2023) to 40% by 2025, a testament to its commitment. Key policy instruments shaping this transition include:

- Twelfth Malaysia Plan (2021-2025): Integrates CE as a cornerstone for environmental protection and sustainable economic growth.
- Malaysia Plastics Sustainability Roadmap (2021-2030): Targets reduction of single-use plastics and improved recycling rates.
- National Solid Waste Management Policy: Provides the foundational framework for waste management.
- Circular Economy Policy Framework for the Manufacturing Sector (MITI, 2024): Sets ambitious targets for circular material use, resource efficiency, and waste intensity reduction in manufacturing, with an implementation timeline commencing in Q4 2024.

"Beyond Compliance" Mindset

While adherence to regulations is fundamental, true profitability in the CE necessitates a mindset that transcends mere compliance.

- **Proactive Strategy:** Anticipating and actively shaping the regulatory environment, rather than reacting to it.
- **Integrated Business Models:** Weaving circular principles into the core fabric of business operations, product design, supply chain management.
- **Innovation Catalysis:** Fostering the development of novel products, services, and technologies that embody circularity.
- **Collaborative Ecosystems:** Engaging in cross-sectoral partnerships to build robust circular value chains and shared infrastructure.

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Malaysia's CE Policy Landscape

Malaysia's Circular Economy Blueprint: Goals and Impact

The blueprint's overarching goal is to minimize waste generation and maximize resource recovery, moving towards a zero-waste-to-landfill future. Its impact will be far-reaching, influencing product design, manufacturing processes, consumption patterns, and waste management practices across industries.

Extended Producer Responsibility (EPR)

A policy framework (mandatory for the manufacturing sector by 2029) that holds producers accountable for the entire lifecycle of their products.

Implications: Shifts financial and operational burdens from public to private sector, fostering innovation for recyclability/reusability.

Zero-Waste-to-Landfill Certification

A certification system proposed to recognize manufacturers and facilities that achieve high rates of waste diversion from landfills.

Implications: A tangible benchmark for corporate sustainability. Benefits include reduced disposal costs, lower Scope 3 GHG emissions, and enhanced corporate reputation.

Pay-as-you-throw scheme:

A proposed scheme to impose fees on commercial, industrial, institutional and construction sectors for waste disposal in landfills.

Implications: Direct financial incentive for businesses to reduce waste generation at source, segregate recyclables, and explore alternative solutions.

Development of Waste-Eco Parks and Integrated Facilities:

Government-supported initiatives to establish centralized hubs for recycling and waste processing companies.

Implications: Significant tax exemptions and incentives for developers, managers, and operators of these parks

Industry Growth Incentives:

Various government incentives, such as Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE), for businesses engaged in green activities.

Implications: Reduces the financial burden of transitioning to circular practices, making green investments more attractive and accelerating adoption across sectors.

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Identifying Profitability Drivers in the CE

The shift to a circular economy is not merely an environmental obligation but a strategic pathway to enhanced profitability and long-term business resilience.



Core Profitability Drivers in the Circular Economy

Cost Optimization and Efficiency Gains

- **Reduced Raw Material Costs:** Leveraging recycled content, remanufactured components, and industrial products significantly lowers the demand for virgin materials, mitigating price volatility and supply chain risks.
- **Lower Waste Disposal Costs:** Minimizing waste generation through optimized processes and internal recycling directly reduces expenditure on landfill fees and waste treatment. The "Pay-as-you-throw" scheme will increase savings.
- **Energy Savings:** Circularity often requires less energy than producing from scratch, leading to operational cost reductions.
- **Optimized Resource Use:** Designing products for durability, repairability, and efficient material utilization extends product lifespan and reduces overall resource foot print

New Revenue Streams and Market Creation

- **Selling By-products and waste:** Upcycling waste into valuable materials for other industries creates new income streams.
- **Product-as-a-Service (PaaS) Models:** Shifting from outright product sales to offering the utility of a product generates recurring revenue and incentivizes manufacturers to design for longevity and easy maintenance.
- **Repair, Maintenance, and Refurbishment Services:** A growing market for extending product lifecycles creates significant opportunities.
- **Take-back Schemes and Reverse Logistics:** Companies can generate revenue by collecting use products for recycling/manufacturing, closing materials loops.

- **Innovation in Circular Materials:** Developing and commercializing novel, sustainable materials derived from waste or renewable sources opens up new market segments.

Enhanced Brand Value and Customer Loyalty

- **Stronger Brand Image:** Businesses demonstrating a commitment to circularity are increasingly perceived as responsible, innovative, and forward-thinking, appealing to a growing segment of environmentally and socially conscious consumers.
- **Increased Customer Engagement:** Circular models foster deeper relationships and loyalty with customers.
- **Meeting ESG Demands:** Strong ESG performance improves access to impact investors and enhances corporate reputation among stakeholders.

Risk Mitigation and Resilience

- **Reduced Supply Chain Volatility:** Decreased reliance on virgin raw materials sourced from volatile global markets.
- **Compliance Risk Reduction:** Proactive adoption of circular practices minimizes the risk of non-compliance with evolving environmental regulations, avoiding fines and legal repercussions.
- **Reputational Risk Avoidance:** Demonstrating environmental responsibility mitigates the risk of negative public perception and consumer boycotts associated with unsustainable practices.
- **Future-proofing Business Models:** Transitioning to circularity prepares businesses for a future characterized by increasing resource constraints, stricter environmental policies, and evolving market expectations.

Case Studies in Malaysia or ASEAN Region



A leading global glove manufacturer that recycles production byproducts and employs advanced water treatment technologies to reduce water consumption, showcasing internal circularity within manufacturing.

The national oil and gas company is investing in chemical recycling technologies to convert plastic waste into valuable feedstock, contributing to a circular plastics economy.



A prominent waste management company that facilitates circularity by guiding businesses in proper waste management, transportation, and processing to recover valuable resources and reduce landfill waste.

Provides solar irrigation systems to farmers and offers maintenance, extending product lifecycles and promoting resource efficiency in the agricultural sector.



Implements comprehensive waste management systems across its townships and promotes renewable energy solutions, demonstrating a holistic approach to circularity in urban development.

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Sector-Specific Opportunities

Manufacturing:

- **Eco-design:** Designing products for extended lifespan, easy repair, disassembly, and material recovery.
- **Industrial Symbiosis:** Creating partnerships to exchange waste or by-products as raw materials.
- **Remanufacturing:** Restoring used products to “like-new” condition (e.g., automotive parts, electronics).
- **Sustainable Packaging:** Shifting to reusable, recyclable, or compostable packaging solutions.

Construction:

- **Circular Building Materials:** Utilizing recycled content, bio-based materials, and designing for deconstruction.
- **Material Recovery:** Implementing systems for salvaging and reusing construction and demolition.
- **Modular Construction:** Employing prefabricated components that can be reused or reconfigured.

Food and Beverage:

- **Food Waste Valorization:** Converting food waste into new products (e.g., animal feed, compost).
- **Precision Agriculture:** Optimizing resource use (water, fertilizers) to minimize waste at the farm level.
- **Reusable Packaging Systems:** Implementing deposit-return schemes for beverage containers and food packaging.

Textiles and Fashion:

- **Sustainable Sourcing:** Prioritizing recycled fibers, organic materials, and closed-loop production.
- **Repair & Rental Models:** Offering services to extend garment life or provide access without ownership.
- **Textile-to-Textile Recycling:** Investing in technologies to convert textile waste into new fibers.

Electrical and Electronic Equipment (EEE):

- **Design for Modularity & Repairability:** Enabling easy upgrades, repairs and component replacement.
- **Refurbishment & Resale:** Developing markets for second-hand and refurbished electronics.
- **E-waste Recycling:** Establishing efficient collection and processing systems to recover critical raw materials.

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Recommendations for the Malaysian Private Sector

To effectively navigate and capitalize on Malaysia's circular economy transition, the private sector is encouraged to adopt the following strategic recommendations:

1. **Conduct a Comprehensive Circularity Audit:** Systematically assess current material flows, waste generation points, and resource dependencies across the entire value chain to identify high-impact opportunities for circular intervention.
2. **Prioritize Eco-design and Innovation:** Integrate circular design principles (durability, repairability, recyclability, resource efficiency) into product development. Actively explore and pilot new circular business models, such as product-as-a-service or sharing platforms.
3. **Invest in Digital Transformation:** Leverage data analytics, IoT, and other digital tools to optimize resource tracking, improve waste segregation, enhance reverse logistics, and facilitate material marketplaces.
4. **Foster Cross-Value Chain Collaboration:** Engage in strategic partnerships with suppliers, customers, waste management companies, and even competitors to co-create closed-loop systems, share infrastructure, and collectively address systemic challenges.
5. **Access Green Financing and Incentives:** Proactively seek out and utilize available green financing options, sustainable bonds, and government incentives (GITA, GITE) to de-risk and accelerate investments in circular initiatives.
6. **Develop Circular Economy Capabilities:** Invest in upskilling and reskilling the workforce to equip employees with the knowledge and skills required for circular design, sustainable operations, and new business models.
7. **Establish Robust Circularity Metrics and Reporting:** Implement clear, measurable key performance indicators (KPIs) for resource efficiency, waste reduction, and circular material utilization. Transparently report on progress to enhance accountability and demonstrate commitment to stakeholders.
8. **Actively Engage in Policy Dialogue:** Participate in industry associations and engage with policymakers to provide practical insights and contribute to the development of effective, business-friendly CE regulations and supportive ecosystems.
9. **Pilot and Scale Circular Initiatives:** Start with manageable pilot projects to test circular solutions, gather data, and refine strategies. Once successful, develop clear roadmaps for scaling these initiatives across the organization and potentially the industry.
10. **Champion the Circular Narrative:** Proactively communicate the economic and environmental benefits of circularity to internal teams, customers, investors, and the wider public, positioning the organization as a leader in sustainable business.

By embracing these recommendations, Malaysian businesses can not only fulfill their environmental responsibilities but also unlock new avenues for profitability, build greater resilience against future shocks, and contribute significantly to Malaysia's sustainable development goals.

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