Circular Economy

The 21st century economic paradigm for a positive development

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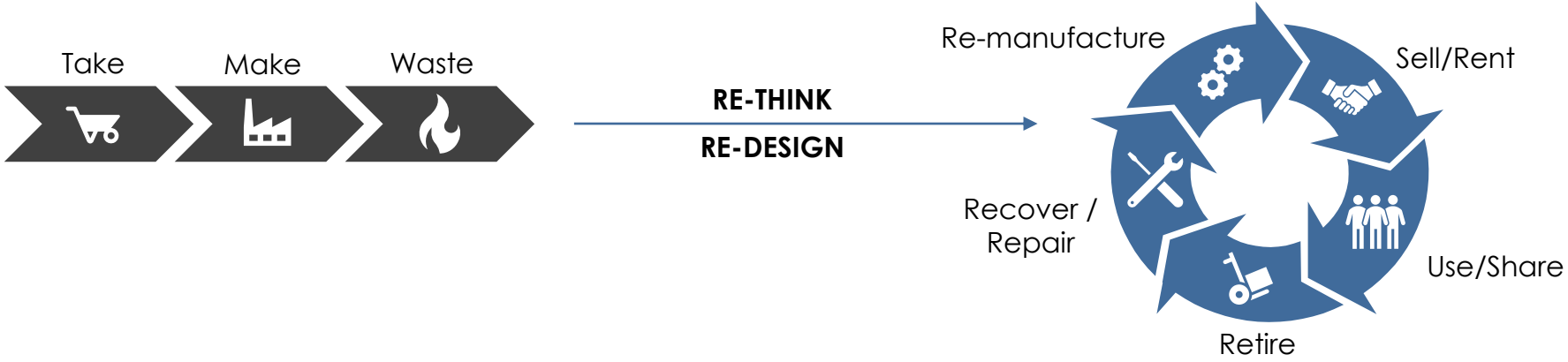
From Linear to Circular Economy

Decouple economic growth from the consumption of finite natural resources



Design out waste and pollution

Keep products & materials in use

Regenerate natural systems

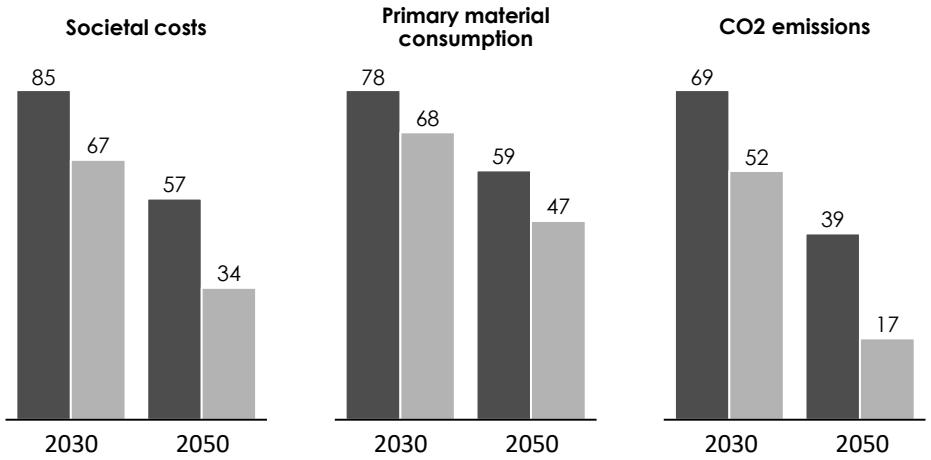
Circular Economy principles allow companies to **mitigate linear risks** *(price volatility, supply chain inefficiencies, consumer and regulatory trends)* and to **exploit new business opportunities** *(improved competitive positioning, reduced costs for raw materials, increased customer retention)*

Changing the model

Potential savings, additional growth and impact of Circular Economy

Projected Cost Reduction

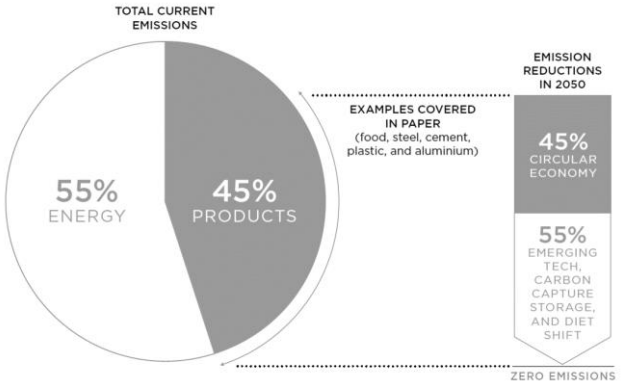
Indexed to 100 in 2012 ■ Current development scenario EU-27 ■ Circular scenario



Estimated **€ 1.8 tn of savings** in Europe by 2030 in Food, Mobility and Built Environment industries

Impact on Climate Change

Switching to **renewable energy** will only lead to a **55% reduction in emissions**



The remaining **45% of emissions** come from **the way we make and use products**

Sources: «Towards the Circular Economy», World Economic Forum (2014) ; «Waste to Wealth», Accenture (2015) ; «Achieving Growth Within», SistemiQ – SUN – EMF (2017) ; «Completing the picture: how CE tackles climate change», Material Economics – EMF (2019)

Circular Economy legislation: state of the art

CE is a top priority for policy makers in EU and China, while US are still fragmented

In **2015**, the EU adopted the **Circular Economy Action Plan**, an ambitious program to stimulate the transition towards a Circular Economy, boost **global competitiveness**, foster **sustainable growth** and generate **new jobs**.

The Action Plan, followed by the **2018 CE Package**, establishes measures covering the whole cycle: **from production and consumption to waste** management and the market for secondary raw materials.

For more than 15 years, China's government has been a **frontrunner** on Circular Economy legislation, addressing **pollution**, promoting **resource efficiency** and **industrial ecology** within its policy plans.

In **2017** the government introduced a new set of policies, centred on concepts such as **product redesign** and the **sharing economy**, which highlight the innovation and value creation opportunities of a Circular Economy.

US Congress has **not developed yet** a comprehensive **federal policy** on Circular Economy. However, individual States are moving, notably **California** which **is proposing legislation** to reduce **plastic waste** up to 75% by 2030 and to phase out most **single-use packaging**.

Sources: «Implementation of the CE Action Plan», European Commission (2019) ; «The CE Opportunity for Urban and Industrial Innovation in China», EMF (2019) ; «Most ambitious US law to tackle single-use plastics faces make-or-break moment», The Guardian (2019)

Circular Economy in EU

Shaping EU policy to support private sector transition to the Circular Economy

CE policies promoted by the EU are encouraging companies in adopting circular business models and practices. Upcoming legislation and tools should be based on some key pillars to scale-up Circular Economy at all levels:

- **Shared taxonomy**: a common definition of Circular Economy activities, which is already being developed by the European Commission, will unlock new opportunities as it will facilitate dialogue between multiple actors
- **Internal homogeneity**: where possible, incentives and disincentives should be defined at European level to ensure a coherent development between regions at different stages in their Circular Economy transition
- **Global agenda**: the European Union is leading by example the Circular Economy transition. Its expertise should be key in influencing the global agenda, thus accelerating a comprehensive shift to the circular model

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Intesa Sanpaolo: an impact bank

Top management is committed to CE as a strategic key to become an impact bank

The Banker
Global Financial Intelligence Since 1926

COMMENT & PROFILES

Why more banks must support the circular economy

Carlo Messina | 1/03/2019 9:00 am

***Circular Economy redefines the approach to value creation**. It is a disruption to the business model that Intesa Sanpaolo is supporting and more banks should be doing the same. The financial sector, especially from a **de-risking** perspective, should play a crucial role in **unlocking opportunities** while supporting clients in reorienting their business strategies* – **Carlo Messina, CEO ISP**

"We are proud to offer our customers the tools to seize the opportunity of the Circular Economy, an innovative and strategic challenge"

Mauro Micillo, CEO Banca IMI and Head of CIB, ISP
12/06/2019, London - Italian Embassy

"Banks should act as agents for change towards a low-carbon economy, supporting the transition to a Circular Economy"

Gregorio De Felice, Chief Economist ISP
13/06/2019, London – EMF Annual Summit

"Circular Economy represents a special opportunity to support our customers towards a more resilient and competitive model"

Stefano Del Punta, CFO ISP
27/07/2019, Copenhagen - International Fund Forum

The distinctive positioning of Intesa Sanpaolo

Dame **Ellen MacArthur** is a successful solo long-distance yachtswoman.
In 2005 she broke the world record for the fastest solo circumnavigation of the globe.

Her Foundation is the world **most influential and authoritative player on Circular Economy**.
Its **CE100** platform groups over 120 leading companies, governments and universities *(e.g. Apple, IKEA, Enel and the City of Milan)* to accelerate systemic shift towards CE.

ELLEN MACARTHUR FOUNDATION

INTESA SANPAOLO · H&M · DANONE ONE PLANET. ONE HEALTH · Google · SOLVAY · BLACKROCK · PHILIPS · RENAULT · Unilever · DS Smith · SC Johnson

Since December 2015, **Intesa Sanpaolo** is the first **Financial Services Global Partner** of the Foundation

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Presidenza del Consiglio dei Ministri · Ministero dello Sviluppo Economico · Ministero dell'Ambiente e della Tutela del Territorio e del Mare · Comune di Milano · The World Bank · European Investment Bank · European Commission · World Economic Forum

Intesa Sanpaolo has long-term **strategic relations** with key stakeholders to generate a **meaningful impact**, engaging in:

- *"Circular Economy Financing Expert Group"* - EU Commission
- *"Platform for Accelerating the CE"* - World Economic Forum
- *"2030 Sustainable Development Strategy"* - Italian Government

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CE Plafond

The 2018-21 Business Plan of **Intesa Sanpaolo** includes two specific actions to support the Circular Economy: the launch of a **€ 5 bn Credit Plafond** and of a dedicated **Equity Fund**.

The € 5 bn **Circular Economy Plafond** provides the most innovative clients/projects with credit at favorable terms. Access to these facilities is evaluated against a set of **five eligibility criteria** developed in partnership with the Ellen MacArthur Foundation.

Additionally, **Intesa Sanpaolo and European Investment Bank** signed an agreement to provide SMEs and Midcaps a **€ 250 m funding** for Circular Economy transition.

Solutions that extend the product-life of goods and/or materials

Utilization of renewable/recycled resources

Increase in efficiency and effectiveness of resources' consumption

Products that can be fully recycled or composted

Innovative technologies to enable circular business models

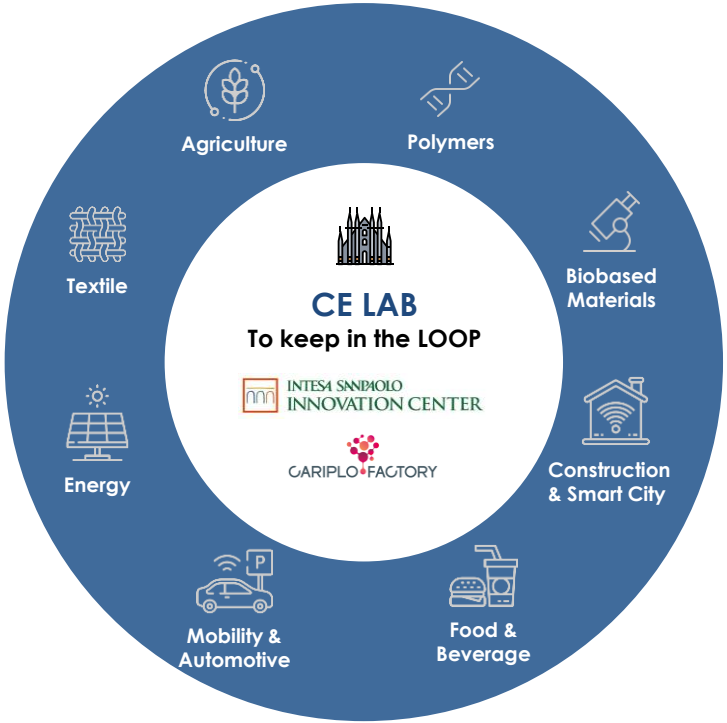
CE Lab, Milan

A space dedicated to the Circular Economy, open innovation and young talents

Innovative Startups

Universities & Competence Centers

Industrial partners



Circular Opportunities

- **Circular Economy Knowledge Sharing**: promoting the dissemination of Circular Economy knowledge through initiatives that involve stakeholders at national and international level
- **Innovation Circular Economy Ecosystem Development:** supporting Startups, SMEs and Corporates to adopt circularity principles, promoting the match between companies, startups, technology providers and investors
- **Circular Economy Project:** accelerating circular transformation through Open Innovation Process and CE Advisor Programs

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The Italian way to Circular Economy

Business samples from the CE Day hosted by Banca IMI in September 2019

Econyl: 100% regenerated & regenerable nylon

- Sustainable, infinite, endless
- Sourced from waste collection (fishing nets, fabric scraps, carpet flooring, industrial plastics)
- 35,000 tons of Econyl in 2018

Corso Como Place: circular real estate

- Utilization of Cradle-to-Cradle materials
- Building designed for flexibility of multiple uses
- Enhanced construction life-cycle strategy: building created as a material bank

Waste and water: recovery and valorisation

- 93% recovery of sorted waste
- Biomethane and biodiesel plants from organic waste
- 10% reduction in water consumption for operations, with recovery of treated wastewater

WasCoffee: new material from coffee waste

- 100% natural and recyclable
- Used in the interior design of stores
- Implemented in 8 stores, now global targets
- 200kg of coffee wastes saved per store

CE Plafond: Maire Tecnimont

About the company	International leader in the field of plant engineering, committed to transforming natural resources into innovative products. The company is now preparing itself for the growing renewable energy and green chemistry paradigm.
Project Description	Implementation of a technology solution and plant enabling a more effective implementation of the Circular Economy for Plastics, allowing to increase the value of recycled plastics to be used in specific high and application use.
Circularity Criteria	3. Products and/or services that significantly increase effectiveness and efficiency of the resources consumption, within the company or along its supply chain
Output / impact expected	• Increase of plastic material re-inserted into production system • Decrease in annual share of non-recycled plastic material • Performance improvement of recycled plastic material

CE Plafond: Thames Water

About the company	UK's largest water and wastewater services provider, with a strong focus on environmental protection, including responsible and sustainable use of natural resources.
Project Description	Several initiatives related to water treatment: utilisation of wastewater to produce renewable energy and fertilisers, recycling of waste water and prevention of water pollution
Circularity Criteria	2. Production processes fueled by and/or products made of renewable or recycled resources 3. Products and/or services that significantly increase effectiveness and efficiency of the resources consumption, within the company or along its supply chain 5. Innovative technologies to enable circular business models
Output / impact expected	• Increase of renewable energy production for self-consumption • Installation of new smart meters to reduce water consumption • Increase of sustainable drainage hectares • Recovery and beneficial use of sludge

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CE Plafond: SMEs

Samples of Italian SMEs supported by Intesa Sanpaolo in their circular transformation

Agriculture, Food & Beverage	Development of an innovative, **compostable packaging** that prolongs shelf life of vegetables
Chemicals & Materials	**Recovery** of **batteries** from laptops and production of new ones from secondary raw material
Construction & Furniture	Recovery of **municipal waste**, re-used to create **construction material** for new buildings
Energy, Water & Utilities	Production of **biomethane** and compost from agricultural **organic waste**, also recovering CO2
Fashion & Textile	Utilisation of an innovative production process to produce **compostable jeans** and textiles
Industrials & Manufacturing	**Recovery** and re-utilisation of **byproducts** and **wastewater**, powered by renewable sources
Mobility, Logistics & Infrastructure	Disassembly, recovery and **regeneration** of multiple components from **end-life vehicles**
Technology & Business Solutions	Realisation of an **advanced smart grid** that enables scale-up of **renewable energy** utilisation

To continue this conversation…

"The Circular Economy represents a huge opportunity to reconnect Business & Society, re-thinking financial instruments to support the re-design of the industrial ecosystem"

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