Circular Economy - a key factor in Italy’s economic future

Andrew Morlet, CEO
The current linear economy is massively wasteful

**Mobility**
- The average car spends 92% of its life the time parked
- Car parking spaces in US = 1 billion = 4 x number of vehicles (50 - 60% of downtown areas in US = car space)

**Fashion**
- Every second a dumpster of clothing is landfilled or incinerated

**Food**
- 33% of all food is wasted
- Agriculture, farming, land use emissions = 20 - 30% of global total GHG emissions

**Plastic**
- 86% of all plastic packaging is not recycled
- At current rates there will be more plastic than fish in the sea by 2050

**E-waste**
- Annual e-waste production = 122k jumbo jets in weight = 3 x output of all world’s silver mines... and 80% of this e-waste is not recycled
Digital is an enabler for delivering impact at scale.

The circular economy is a framework for systems solutions and transformation that tackles global challenges like climate change, biodiversity loss, waste and pollution.

It has three principles, driven by design:

- It is based increasingly on renewable energy and materials
- It is accelerated by digital innovation
- It is a resilient, distributed, diverse, and inclusive economic model
Completing the picture: tackling the overlooked emissions

Total current global greenhouse gas emissions

- 55% Energy
- 45% Products and food

How the circular economy helps tackle climate change

- Design out waste and pollution to reduce GHG emissions across the value chain
- Keep products and materials in use to retain the energy embodied within them
- Regenerate natural systems to sequester carbon in soil and products
The circular economy is gaining momentum

**Market growth**
- Clothing resale expected to be nearly double the size of fast fashion by 2029
- The sharing economy is set to increase by 20x by 2025 (2015 baseline)
- EMF network grows to over 2000 companies 2010 - 2021

**Corporate commitments**
- Over 20% of the global plastic packaging value chain (850+ companies) commit to 100% reusable, recyclable or compostable packaging by 2025
- Over 1,000 companies sign up to measure their circularity with EMF’s Circulytics
- H&M Group launches clothing resale in 20 countries in June 2021

**Revenue targets**
- Renault Group generates €500M+ of revenue a year from its circular economy activities (recycling, remanufacturing, 2nd hand part resale) and has set a goal of €1Bn per year by 2030
- Philips to sets target to reach 25% of its revenue from circular economy solutions by 2025
- Solvay sets target to triple its circular economy revenue to 15% by 2030
The finance sector is mobilising..

“The concept of the circular economy is so important, it’s a foundational blueprint. If we could get more and more of the money owners to agree that this is a good way to invest, not just for social reasons, not just for environmental reasons, but for investment reasons, performance reasons”

Larry Fink, Chairman and CEO, BlackRock
Growth in circular economy investment funds is evident

Assets under management in public equity funds with a circular economy focus have grown 24-fold since December 2019.

In USD Billion AUM

<table>
<thead>
<tr>
<th>Year</th>
<th>Assets (USD Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 2019</td>
<td>0.3</td>
</tr>
<tr>
<td>Dec 2020</td>
<td>4.7</td>
</tr>
<tr>
<td>May 2021</td>
<td>7.3</td>
</tr>
</tbody>
</table>
Growth in circular economy bonds is also building

Corporate and sovereign bonds focussed on circular economy have grown more than five-fold since December 2019*

- Number of bonds (at least)
- Cumulative issuance (USD billion)

<table>
<thead>
<tr>
<th></th>
<th>Dec 2019</th>
<th>Dec 2020</th>
<th>May 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>7</td>
<td>21</td>
<td>35</td>
</tr>
<tr>
<td>Issuance</td>
<td>3.9</td>
<td>16.7</td>
<td>35.8</td>
</tr>
</tbody>
</table>

*Conservative estimate
Public policies and public demand are evident

- **Policy**
  - The circular economy is a key pillar of the European Green Deal
  - The EU’s recovery plan will now be guided by a green finance taxonomy, where the circular economy features

- **Consumer trends**
  - **Fashion:** 71% of customers are expressing a greater interest in circular business models such as rental, resales and refurbishment, as well as investing in higher quality apparel following the pandemic
  - **Food:** 72% of Europeans have reported a greater willingness to put effort into healthier eating in the future

- **Italian context**
  - Investments of 7 billion euros are planned for "green businesses and circular economy" as part of the the National Recovery and Resilience Plan
  - The Circular Economy Alliance includes leading Italian companies and Ellen MacArthur Foundation Network members such as A2A, Aquafil, Enel, Grupo Hera, Intesa Sanpaolo, Novamont, Salvatore Ferragamo
The vision and economic rationale for a circular economy are compelling and set the direction for better forms of growth.
Italy is well placed to play a leading role

- **Design:** The circular economy renews and enriches Italy’s natural flair for design
- **Materials:** Italy is the nation with the highest level of circular materials (secondary raw materials) used by the manufacturing system in Europe: almost a fifth of the total (18.5%)
- **Finance:** Intesa Sanpaolo: €6 Billion Euro Circular Economy Plafond, the largest of its kind in the world
- **Plastics and packaged goods:** Novamont is a world leader in bio-materials and a catalyst for Milan’s world-class food waste collection system
- **Fashion:** Aquafil, a global leader in non-chemical nylon recycling with its ECONYL used by Adidas in its swimwear, Prato district pioneering wool recycling
- **Food:** Italy is the birthplace of the Slow Food movement
- **Built Environment:** Enel’s Futur-e repurposes 23 power stations
The circular economy is a solution for better growth.