

## Circular Economy

The 21st century economic paradigm for a positive development

### *“How to establish objectives linked to the Circular Economy”*

Carlo Cavedon - Circular Economy Specialist

17 October 2022

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## Approach to next slides..

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*Best order*



- 1) WHY?
- 2) HOW?
- 3) WHAT?

*Current order*



- 3) WHAT?
- 1) WHY?
- 2) HOW?



Q: “How to establish objectives linked to the Circular Economy”?

A: **Tools** first (2 financial and 2 non financial)

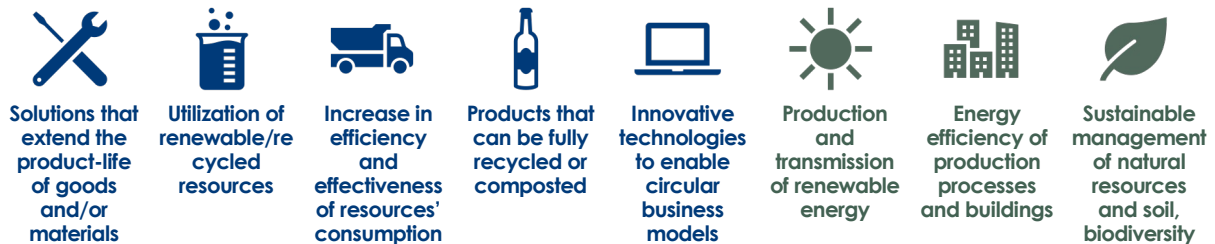
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## Tools for the impact – 1A: Circular Economy Plafond <sup>2</sup>



Intesa Sanpaolo's **2022-25 Business Plan** includes a specific action **to support the transition towards a circular economy**: the renewal of the CE Plafond, the credit facility up to € 8 bn.

The **€ 8 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 and three additional criteria related to green projects.



For the € 6 bn CE Plafond linked to the **2018-2021 Business Plan**, approximately **€ 7.7 bn** was financed, of which approximately € 5.5 bn in 2021



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## Tools for the impact – 1A: KPIs for Agri, Food & Bev <sup>3</sup>

The Circular Economy generates opportunities both within the existing value chain and in the creation of new supply chains.



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

% food production with principles of circularity  
% shelf life extension of fresh products



### 2. Utilization of renewable/recycled resources

Biomethane/gas and compost production from agricultural waste (kWh/year, ton)  
Use of packaging from bio-based sources (ton, %)



### 3. Increase in efficiency and effectiveness of resources' consumption

Reduction of water use in the production chain (m3, %)  
Animal to vegetable protein replacement (ton, %)



### 4. Products that can be fully recycled or composted

Food waste used as an input for other products (ton, %)  
Compostable food packaging (ton, %)



### 5. Innovative technologies to enable circular business models

Production with hydro / aeroponic technologies (ton, %)  
Precision farming, drones and sensors



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## Tools for the impact – 1A: Case study for AF&B



### Company description

Company operating in the production of high quality alcohol for food use based on cereals and industrial starch

### Purpose

The project aims to significantly increase the production capacity of the plant for the production of flour and alcohol. **All waste resulting from core production processes becomes secondary raw material for further products ("byproducts"):** the food industry (sweetening starches), beverage (food supplements), the paper industry (biodegradable polymers), green chemistry (starches, hydrolysers and proteins for fermentation) as well as nutrition for animals (feed) with a **zero waste target**

### Circular criteria

- 3. Effectiveness of resources
- 4. Compostable products

### KPIs

- Recovery of waste/scraps that are reused in production (tons/year)
- Production of starch for biodegradable packaging (tons/year)

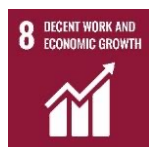


Public info: Sedamyl (BdT), 02/04/2021

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## Tools for the impact – 1B: Sustainability Bond for CE



In 2019, new Guidelines were developed (Sustainability Bond Framework) to issue Sustainability Bonds and to **support loans and projects** (new or existing ones) related to Green Economy, Circular Economy and for social purposes. Guidelines were revised and updated in 2021.

In November 2019, Intesa Sanpaolo successfully placed the **first Sustainability Bond focused on Circular Economy**, aimed to support the loans performed by the Bank within the € 6 Bn credit plafond for dedicated to Circular Economy.

The **€ 750 mln issuance**, with a **demand exceeding € 3.5 bln**, was mainly underwritten by institutional investors: Asset managers (75%), Banks and Private banking (10%), Public bodies (10%), Insurances and Pension funds (4%).

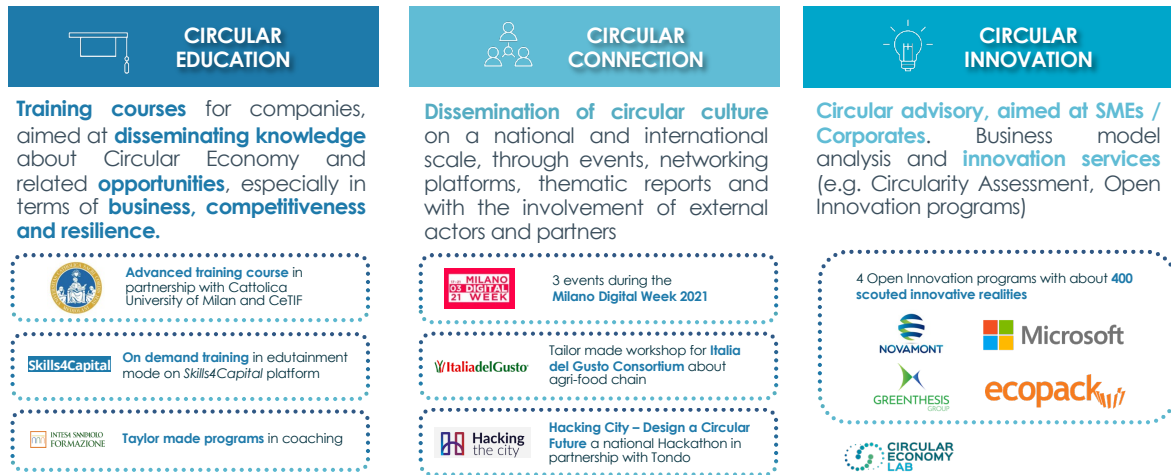
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## Tools for the impact – 2A: Circular Economy Lab

The Circular Economy Lab aims to contribute to the dissemination of the principles and methods of the circular economy, especially through **open innovation** and **training** initiatives, generating networking opportunities among the various actors of the innovative ecosystem

### CE LAB PILLARS



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## Tools for the impact – 2B: Scouting and R&D



Scouting



Boot Camp



Deal Line-up



Investor Arena Meeting

What	Identification of interesting startups, business plan analysis and initial screening	Coaching for start-ups to fine-tune their business plan and presentation pitch	Selection of the startups that are most ready to meet investors	Start-up pitches, Q&A, collection of interest manifestations from the investors
Who	Our Innovation Managers, using a screening model shared with target investors	World-class coaches including a lifelong angel investor from California and a tech M&A veteran	Panel of experts from incubators, universities, accelerators, industry and investment funds	Italian and international investors (Angel Investors, Seed Capital, Venture Capital) and corporations
When	Ongoing	2 days + one-to-one sessions	1 day	1 day
How many	70-100	20-25		7-10



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## The beginning of the original presentation

«People don't buy *what* you do,

People buy *why* you do it.

And people will do the things that prove what they *believe*»

Simon Sinek, TED Talk, 2009



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**Believe**

**WHY?**



**Mandatory**

**HOW?**



**Convenient**

**WHAT?**



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## WHY? Intesa Sanpaolo: an impact bank

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



### TheBanker 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

22 April 2021, Milan - Over €400 billion to support Italy's Recovery Plan

«Intesa Sanpaolo will provide **over €400 billion in medium/long-term lending** to businesses and households in support of **Italy's National Recovery and Resilience Plan (PNRR)**. The Bank will focus support on those projects that are closely related to the Recovery Plan's priorities such as green, **circular and ecological transition**; infrastructure; and transport and **urban regeneration projects**» - Carlo Messina, CEO ISP

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## WHY? 3R Model: a circular perspective for finance

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### Risks



**Systematic risk decrease** and resiliency increase due to lower rely on virgin raw materials



A **more stable economy**, able to control finite stocks and balance renewable resources flows



CE as a driver for boosting the corporate banking market and **regenerate banks' credit portfolios** with safer counterparts

### Revenues



**New revenue patterns** provided by sharing economy, extended life products and product-as-a-service business models



**Disruptive innovation in the asset management industry** with a new asset class and structured securities

### Reputation



**Back to basics, financing the innovation:** support the growth of the real economy pursuing the wellness and the environment



**Reputation capital:** increase the bank reputation thanks to a new strategic position in the market

Source: «3R Model», Prof. Claudio Zara, Bocconi University (2018)

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## WHY? De-risking and new opportunities

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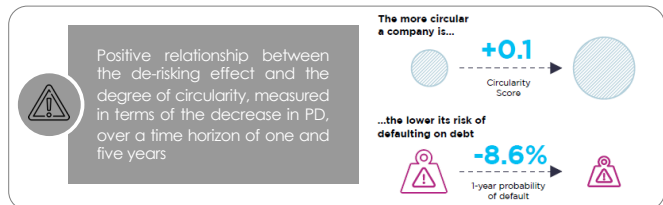


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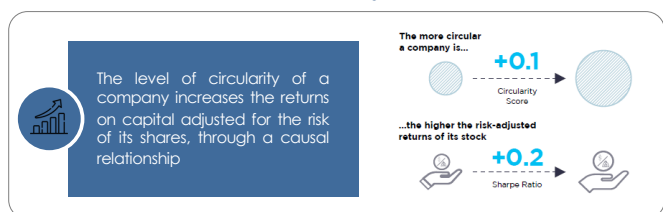


In the last two years, equity and debt instruments linked to **circular investments** have increased considerably, for a financial sector that is increasingly able to seize the opportunities.

### De-risking



### Superior risk-adjusted returns



\* The study is based on the analysis of a sample of 222 European companies belonging to 14 industrial sectors

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## HOW? Intesa Sanpaolo Innovation Center: the engine

**Intesa Sanpaolo Innovation Center** is the Intesa Sanpaolo Group company dedicated to the **frontier of innovation**: it explores **future scenarios and trends**, develops **applied research** projects, supports high-potential **startups** and accelerates the transformation of businesses according to the criteria of **open innovation and circular economy**, to make Intesa Sanpaolo the driving force behind a more aware, inclusive and sustainable economy.

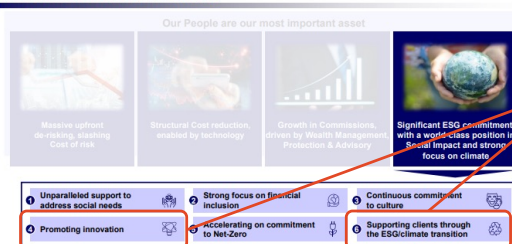


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The **main activities** are:

- circular economy
- development of the most promising startups
- applied research
- venture capital investments of Neva SGR

### The 2022-2025 Business Plan formula



ISPIC contributes to the objectives of the Group Business Plan in terms of "Promotion of Innovation" and "Support to customers in the ESG / climate transition, measured in:

~ **800 innovation projects by 2025** (+ 70% compared to the previous Plan)

~ **€ 100 million of investments by NEVA SGR in startups by 2025**

Business support through the **Circular Economy Lab**, in partnership with Cariplo Factory

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## HOW? Spreading the impact: networking



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 network groups hundreds of leading companies, governments and universities (e.g. *Apple, Enel and the City of Milan*) which support the systemic shift towards CE.

Ellen MacArthur Foundation  
Strategic Partners Group



Since December 2015, **Intesa Sanpaolo** is a **Strategic Partner** of the Foundation



**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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