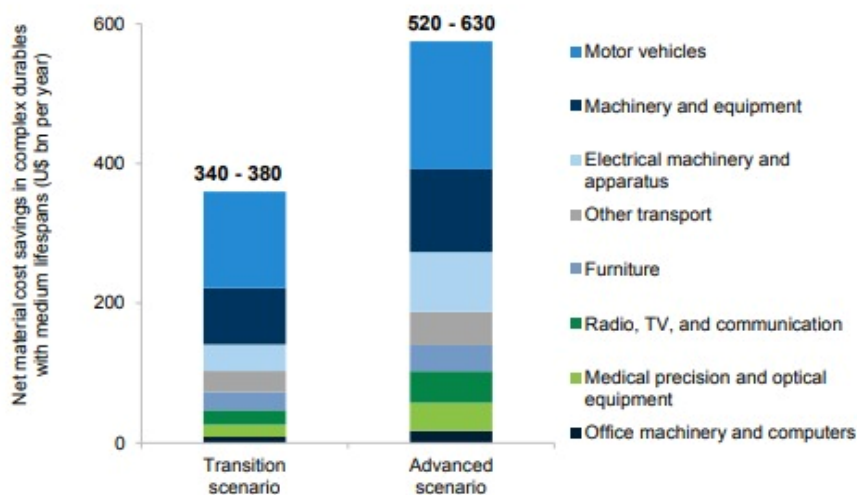


The Potential of a Circular Economy

A Circular Economy is a sustainable economic framework that strives to create a closed-loop system, where products and materials are reused, recycled, and repurposed to minimize waste and resource consumption while promoting long-term environmental and economic sustainability. The transition to a Circular Economy could help add \$4.5 trillion in additional economic output to the global economy by 2030, and \$25 trillion by 2050, according to Goldman Sachs. While Circular economies are mostly linked with recycling and energy solutions, the following data insights highlight that there is a myriad of markets and industries that can benefit from a transition to a circular economy. In the first chart below, savings that can be attained from transition scenario to circularity in manufacturing could yield total savings of between \$340 - \$380bn per annum in the European Union alone. This encompasses complex durables with medium term lifespans like motor vehicles, electrical machinery and radio and communication devices. However, in a more advanced scenario, with full circularity in manufacturing in Europe, up to \$630bn per annum could be saved in terms of costs.

Exhibit 14: Circularity in manufacturing could yield net materials cost savings of up to US\$630 billion p.a. in the EU alone

Net material cost savings in complex durables with medium lifespans, US\$ bn per year, EU



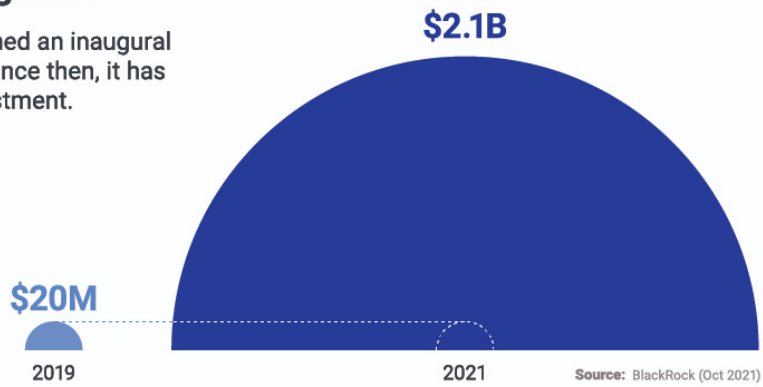
Source: World Economic Forum, Eurostat, Ellen MacArthur Foundation

To further highlight the growing potential of the Circular Economy from an investors perspective, in 2019 Blackrock launched its first Circular Economy fund. At that time the fund was worth approximately \$20m. By July 2021, the fund had \$2.1bn in assets under management. The fund has also seen a cumulative return of 23.60 per cent since its inception in 2019, with companies such as Microsoft and Coca Cola both present in this fund. What this tells us is that investment houses and large cap companies are already investing in and continuing to invest in the Circular economy.

Circular economy growth

In 2019, BlackRock launched an inaugural Circular Economy fund. Since then, it has attracted significant investment.

Circular Economy ETF assets under management



A number of the world's largest asset managers have followed suit.

Source: Visualized: The Circular Economy 101 (visualcapitalist.com)