

Manufacturing Transformation: Circularity as a Core Operational Strategy

In 2026, Circularity officially transitioned from a "sustainability add-on" to a **Geoeconomic Strategy**. For Fortis & Peak, this represents the ultimate synthesis of core pillars: it's where Supply Chain Resilience meets Financial Transformation. The old "Linear" model – Take, Make, Waste – is now seen as a high-risk liability, while the Circular model has become the 2026 playbook for protecting margins against global volatility.

APPLIED FORESIGHT

FORTIS & PEAK PERSPECTIVES

The Digital Product Passport (DPP) Mandate

In 2026, products are no longer just physical objects — they are **Digital Entities**. Following the EU's Circular Economy Act and the Ecodesign for Sustainable Products Regulation (ESPR), almost all industrial goods now carry a "Birth Certificate." Every battery, textile, and piece of steel carries a unique Digital Passport — typically an RFID or Secure QR code — that tracks the product's material composition, repair history, and recycling instructions throughout its entire life.

For investment clients, the DPP provides unprecedented transparency. Companies can now value inventory based on its **"recovery potential."** Materials are no longer "consumed" — they are "borrowed" from a circular loop, turning what was once classified as waste into a future asset on the balance sheet. This fundamentally reframes how industrial inventory is assessed, financed, and insured across the value chain.

The Transformation

Every major industrial product now carries a unique Digital Passport tracking material composition, repair history, and end-of-life recycling instructions from manufacture to recovery.

The ROI

Investors can value a company's inventory based on "recovery potential." Waste becomes a future balance sheet asset, unlocking new financing and insurance structures across the value chain.

Advanced Molecular & AI-Driven Recycling

Traditional mechanical recycling – the process of physically chopping up plastic – is being superseded by **Advanced (Chemical) Recycling**, which breaks materials down to their molecular building blocks. Facilities like France's first Grandpuits zero-crude platform, launched in March 2026, use Pyrolysis to turn hard-to-recycle household plastics into "virgin-quality" synthetic oil, effectively closing the loop on materials previously considered unrecoverable.

The AI edge is equally transformative. Sorting facilities have achieved a **60% efficiency boost** using Deep Learning vision systems. These "Cognitive Sorters" can distinguish between food-grade and non-food-grade plastics at speeds no human operator can match, ensuring the high purity levels required for true circular economy inputs. This combination of chemical and artificial intelligence is redefining what "recyclable" means at an industrial scale.

Chemical Recycling

Pyrolysis breaks materials to molecular building blocks, producing virgin-quality synthetic oil from previously unrecoverable plastics.

60% Efficiency Boost

Deep Learning vision systems – "Cognitive Sorters" – achieve sorting speeds and purity levels impossible for human operators.

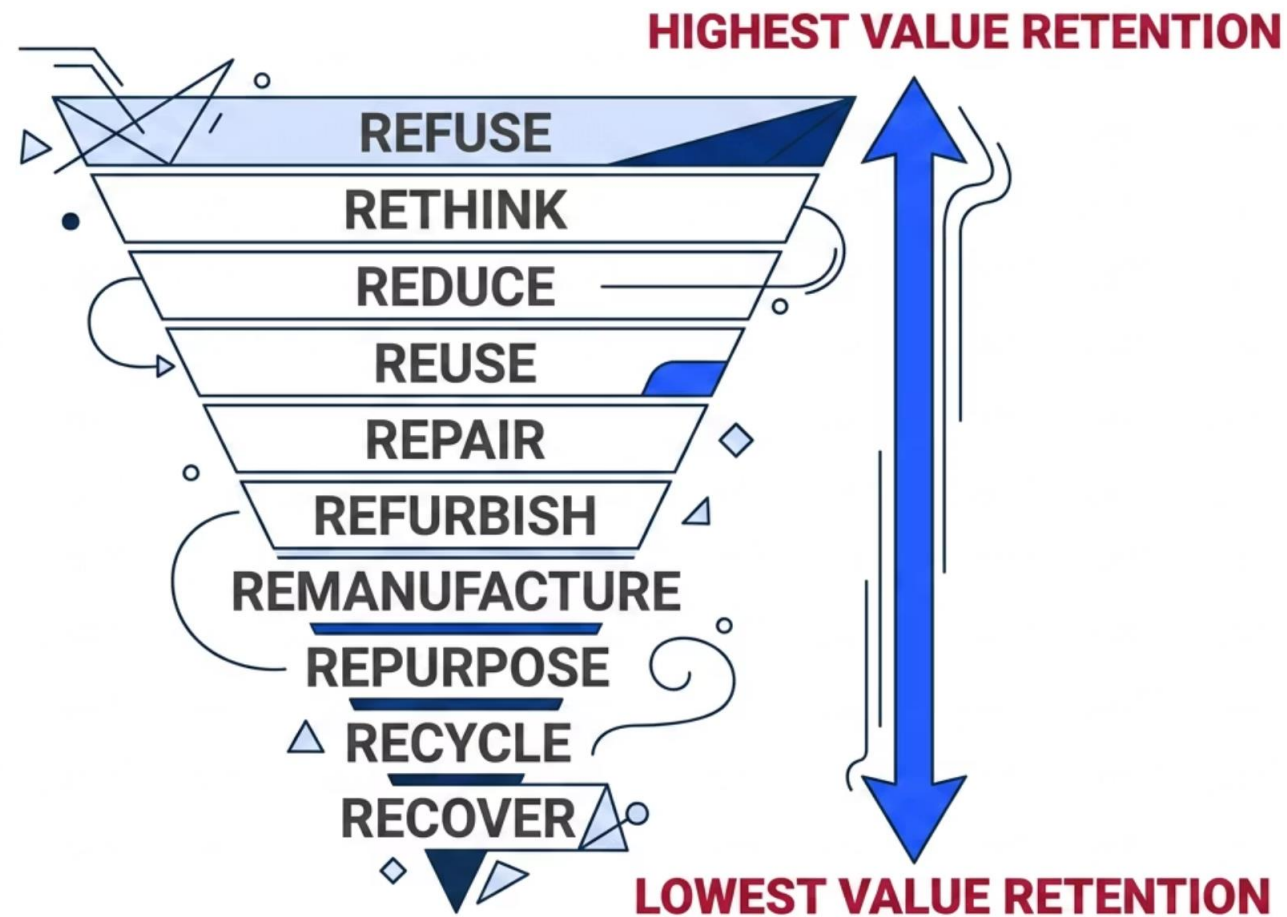
Grandpuits Platform

France's first zero-crude platform, launched March 2026, serves as the flagship model for molecular-level circular manufacturing.

Value Retention: Moving from 3R to 10R

While the world once focused on "Reduce, Reuse, Recycle," the 2026 Peak strategy centers on the **10R Framework**: Refuse, Rethink, Reduce, Reuse, Repair, Refurbish, Remanufacture, Repurpose, Recycle, and Recover. This expanded framework represents a fundamental shift in how value is extracted from physical assets across their entire lifecycle – not just at end-of-life.

Leading DAX40 and Fortune 500 companies are shifting to **Product-as-a-Service (PaaS)** models. Instead of selling a tractor or an HVAC system outright, they lease the "utility" of the machine. The manufacturer retains ownership, ensuring the machine is designed for easy repair and eventual remanufacturing. By retaining ownership of the raw materials – the lithium in the battery, the high-grade aluminum in the chassis – companies decouple their growth from the volatile prices of virgin raw materials, creating a powerful and durable strategic moat.



The Fortis & Peak Circular Audit Matrix

To help executives benchmark their organizations and identify the highest-leverage opportunities, Fortis & Peak has developed the **Circular Audit Matrix** – a four-level maturity model that maps strategic focus to measurable financial benefit. Organizations progress from basic compliance through efficiency gains, supply chain resilience, and ultimately full business model transformation.

Maturity Level	Strategic Focus	Financial Benefit
Level 1: Compliance	Reporting & waste diversion	Avoidance of Circular Economy Act fines
Level 2: Efficiency	Material substitution & waste reduction	Up to 30% reduction in material costs
Level 3: Resilience	Closed-loop supply chains	Protection against geopolitical supply shocks
Level 4: Transformation	PaaS & Remanufacturing models	15–20% higher long-term profitability

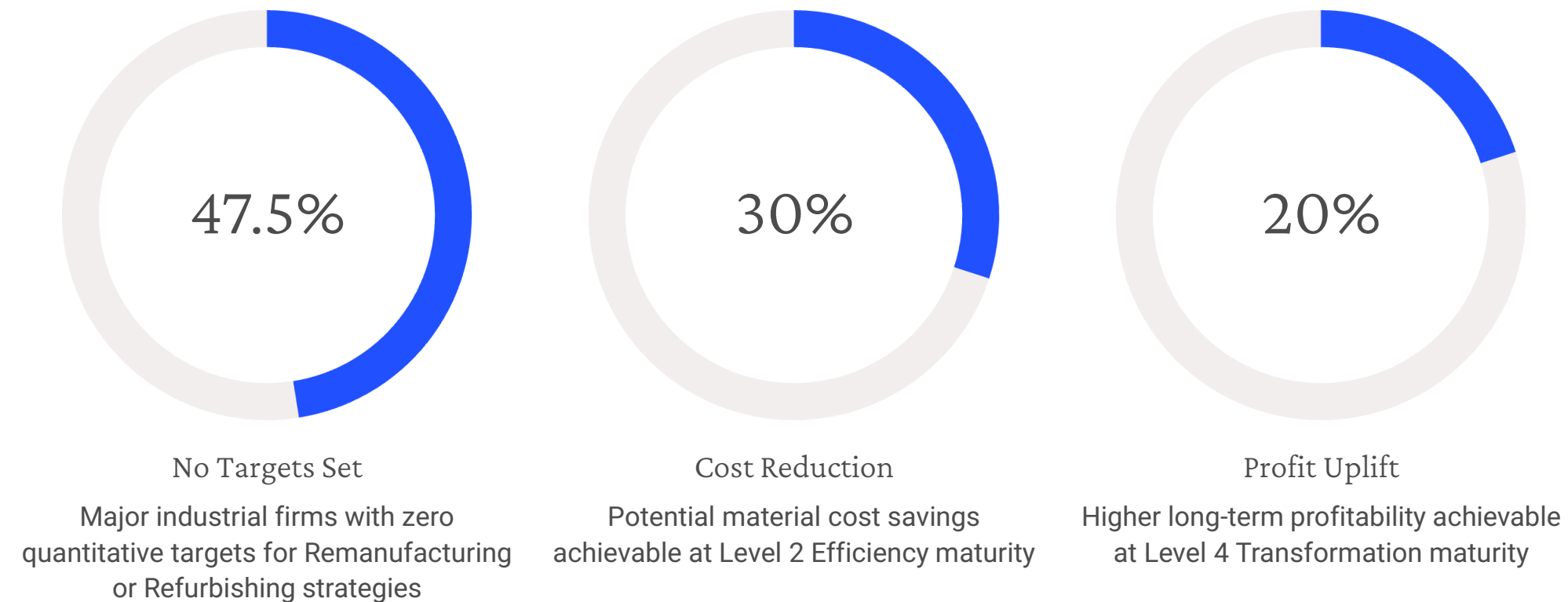
The matrix is designed as a diagnostic and a roadmap. Most organizations will find themselves at Level 1 or 2 – the critical strategic question is how rapidly they can move toward Levels 3 and 4, where the most durable competitive advantages and margin protection are found.

Current 2026 Market Warning

47.5% of major industrial firms currently have zero quantitative targets for high-value strategies like Remanufacturing or Refurbishing. They are stuck in the "Recycling" phase.

Fortis & Peak's latest research reveals a critical strategic gap in the market. Nearly half of major industrial firms have not yet moved beyond basic recycling commitments. This means they remain exposed to raw material price volatility, regulatory penalties under the Circular Economy Act, and competitive displacement by peers who have already advanced to Levels 3 and 4 of the Circular Audit Matrix.

The window for first-mover advantage in Remanufacturing and PaaS models is narrowing rapidly. Companies that delay quantitative target-setting in these high-value strategies risk being locked into lower-margin, higher-risk linear operating models precisely as regulatory and market pressures intensify. For executives and investors, the cost of inaction in 2026 is no longer theoretical – it is measurable, and it is compounding.



About Fortis & Peak Perspectives

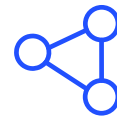
Fortis & Peak Perspectives represent our forward-looking point of view on the forces shaping industries, business models, and competitive advantage. Drawing on deep strategic insight and cross-sector experience, these perspectives go beyond observation to frame what matters most – and what comes next.

They are designed to help executives interpret disruption, anticipate shifts, and make informed decisions with clarity and confidence in an increasingly complex business environment. Each perspective synthesizes emerging signals, regulatory developments, and market dynamics into actionable strategic intelligence for senior leaders and institutional investors.



Applied Foresight

We go beyond observation to frame what matters most and what comes next – translating emerging signals into strategic clarity for executives navigating disruption.



Cross-Sector Intelligence

Our perspectives draw on deep experience across industries, synthesizing regulatory, market, and competitive dynamics into a coherent strategic picture.



Decision-Ready Insight

Designed for senior leaders and institutional investors, our work is built to support informed, confident decisions in an increasingly complex global environment.

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