



A Business & Human Rights case for the Circular Economy

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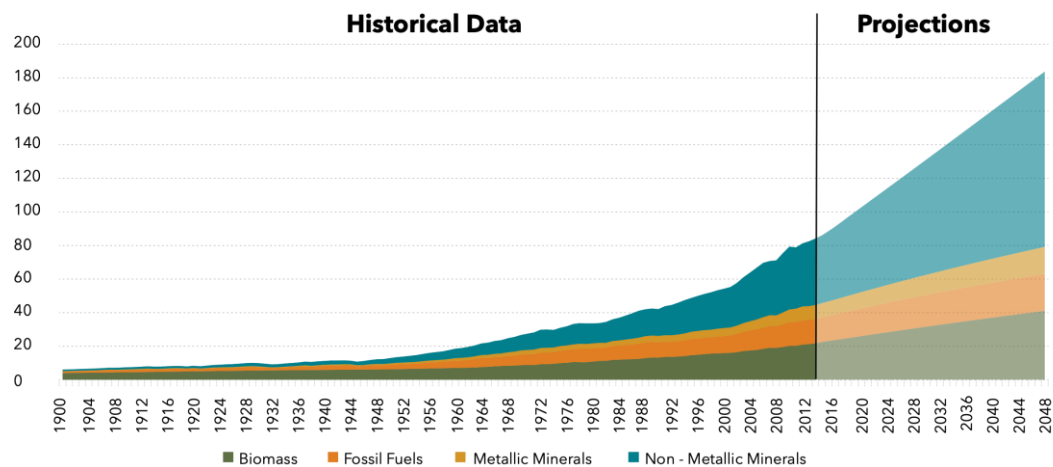
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Introduction: Circular Economy's momentum

- ▶ Circular Economy is evolving as a subject of its own and gaining relevance as a priority strategy amid the climate neutrality, ESG and new sustainability imperatives.
 - ▶ In policy, it takes a central role at the European Green New Deal.
 - ▶ In academia, Circular Economy peer-reviewed publications have increased forty-fold (40x) in the last decade.
 - ▶ Business sector has respectively adopted it as an strategic focus (e.g. WBCSD defined it as a key lever in its “vision 2050”, while “Circular Economy” was the fastest growing LinkedIn skill in 2019);

Introduction: Circular Economy

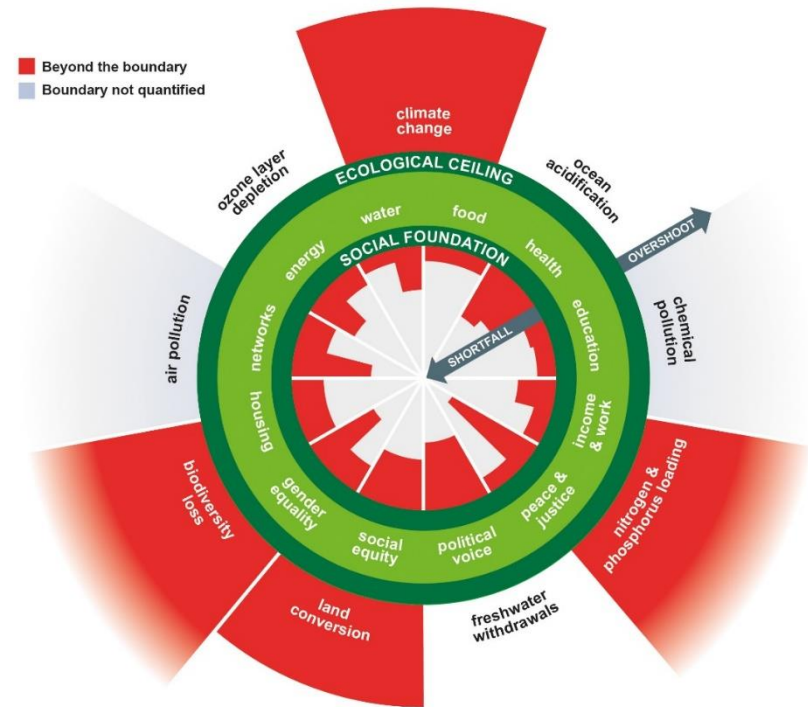
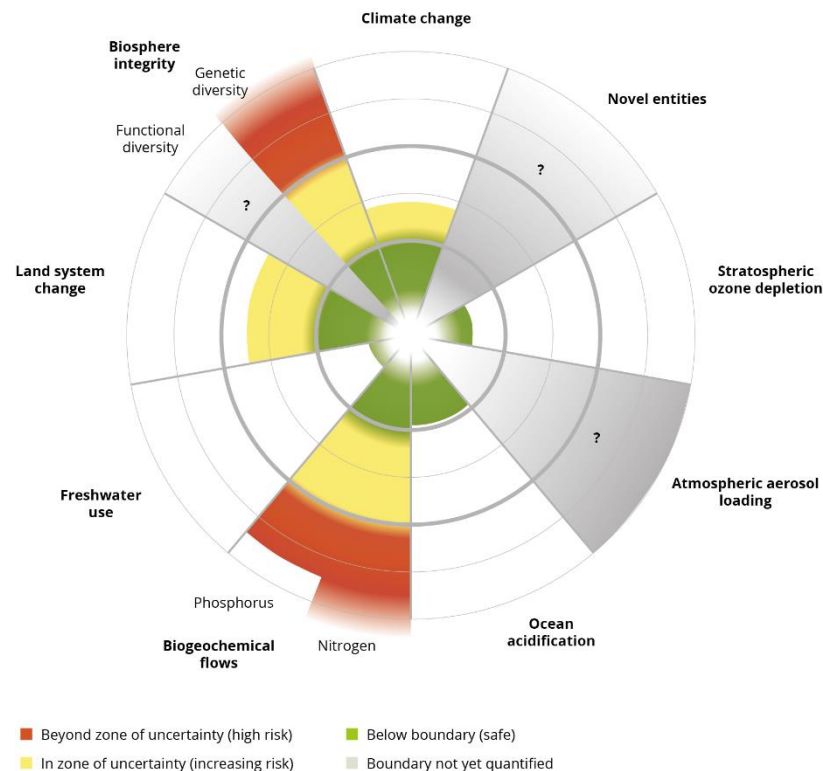


Global resources extraction has **dramatically increased** from 6 billion tons in 1900 to 84 billion tons in 2015, and it is estimated to reach 184 billion tons in 2050.

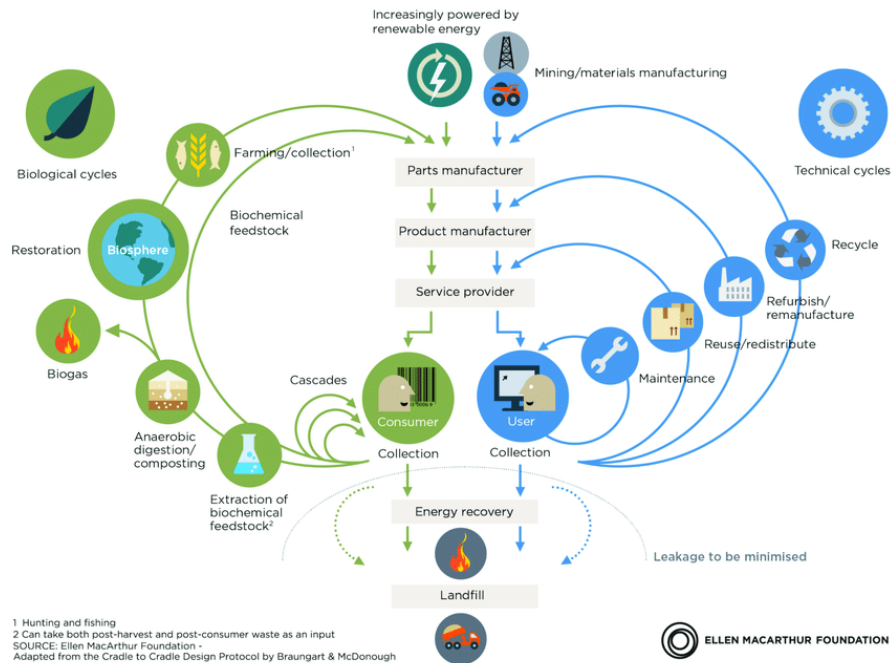


Nonetheless, the global economic model is currently **less than 10% circular**. The circular transition value is estimated in **U\$4.5 trillion by 2030** (*Waste to Wealth*, Accenture, 2015).

Introduction: Circular Economy



Circular Economy Principles

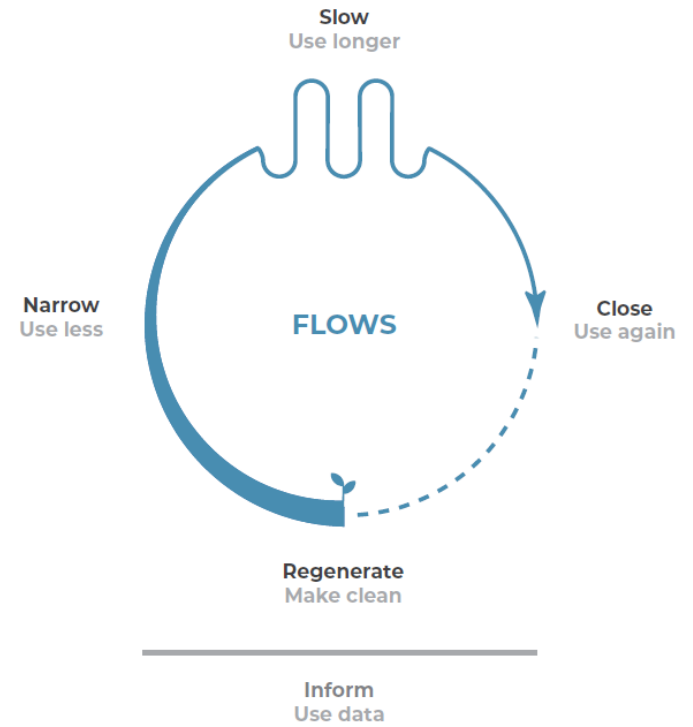


¹ Hunting and fishing
² Can take both post-harvest and post-consumer waste as an input
 SOURCE: Ellen MacArthur Foundation -
 Adapted from the Cradle to Cradle Design Protocol by Braungart & McDonough

Design-out Waste

Keep materials value

Regenerate Natural Systems



Introduction: Sustainability as an integrative approach

- ▶ The concept of Sustainability fundamentally involves the concept of **intergenerational** and **intragenerational** equity;
- ▶ therefore presenting an unremitting **evolutionary nature** that has to be properly assimilated both **domestically** and **internationally**, in the **public and private scopes**;
- ▶ and variably according to **time** (*ratione temporis*), to **subject** (*ratione personae*) and **object** (*ratione materiae*);

SUSTAINABLE DEVELOPMENT GOALS



Introduction: The role of Businesses

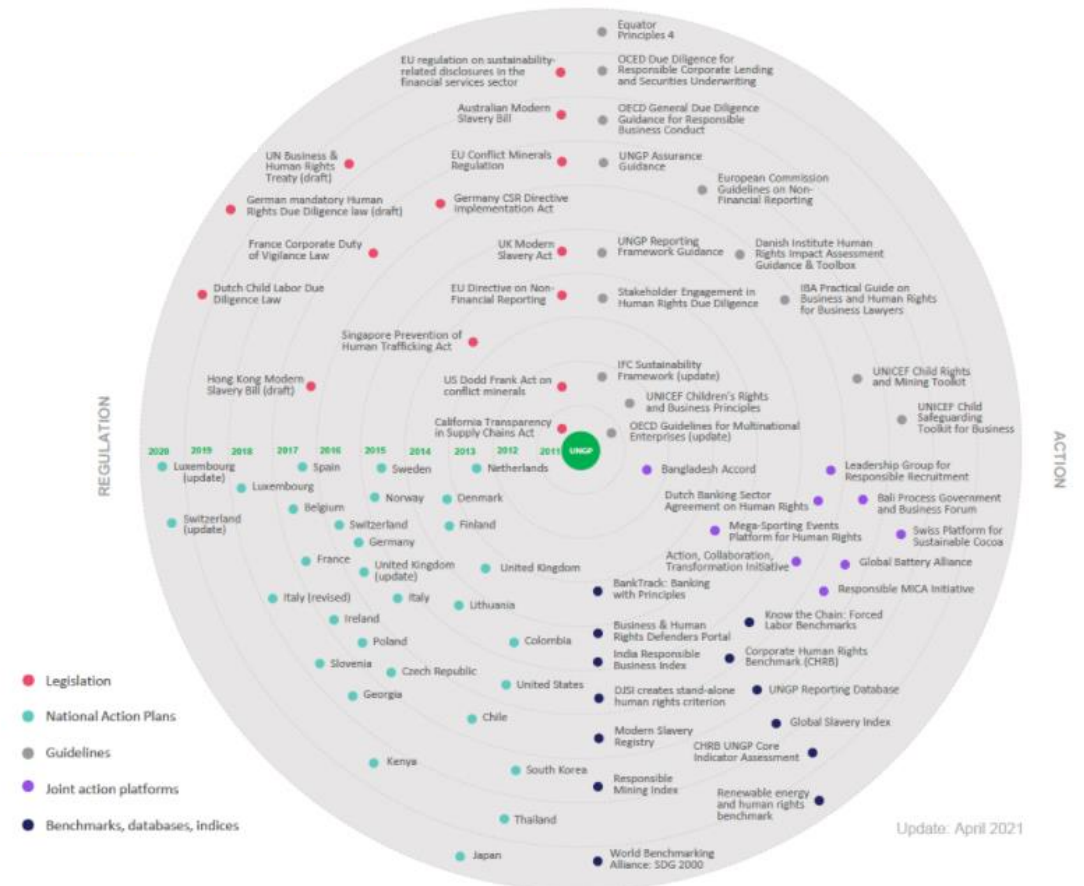
- ▶ Complimentary and interdisciplinary approaches justify the exponential debate and evolution of the corporate sustainability policy, practice and scholarship in the past decade. From a quantitative economic perspective, **corporations detain paramount amounts of resources**: as a research by the OECD pointed out, there were approximately 41.000 listed companies in the world in 2017, holding \$84 trillion in market value (DeLa Cruz et. Al, 2019), **roughly equivalent to the world's GDP**.
- ▶ Corporations not only hold and manage immense sums of resources, but the externalities of their economic activities are ever more evident and relevant. When looking at climate change, **one hundred active fossil fuel corporations are linked to 71 per cent of global industrial greenhouse gases (GHGs) since the creation of the IPCC on 1988** and over half of these emissions can be traced to just 25 corporations. Regarding plastic pollution, **just 20 companies – supported by a narrow group of financial institutions – are responsible for producing over 50 per cent of 'throwaway' single-use plastic**.

Introduction: Evolution of the Business & Human Rights legal framework

- ▶ Rapid evolution of the B&HR legal landscape:
 - ▶ UNGP (Ruggie Principles), OECD Guidelines, ILO, Global Compact;
 - ▶ Mandatory human rights due diligence legislation (national legislation requiring companies to undertake substantive human rights due diligence);
 - ▶ Specific legislation (e.g. Dutch Child Labour Due Diligence Act 2019) and Overarching legislation (e.g. French Duty of Vigilance Law 2017, Norwegian Transparency Act 2021, German Act on Due Diligence Obligations in Supply Chains 2021)

Source: f1. WBCSD Business & Human Rights Interactive Map (2021)

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Introduction: The social gap in C.E.

- ▶ Nonetheless, while sustainability entails an holistic approach integrating economic, environmental and social aspects, there is evidence that Circular Economy does not automatically integrates the social dimension, and very little scholarship has delved into the social integration of circular business models and its impacts on human rights;
- ▶ As Circular Economy momentum continues to shape strategic decision from businesses' and policy perspectives, it is imperative to develop it's theoretical framework in order to integrate the social dimension and safeguard the respect to Human Rights in novel circular business models;

Research Objectives

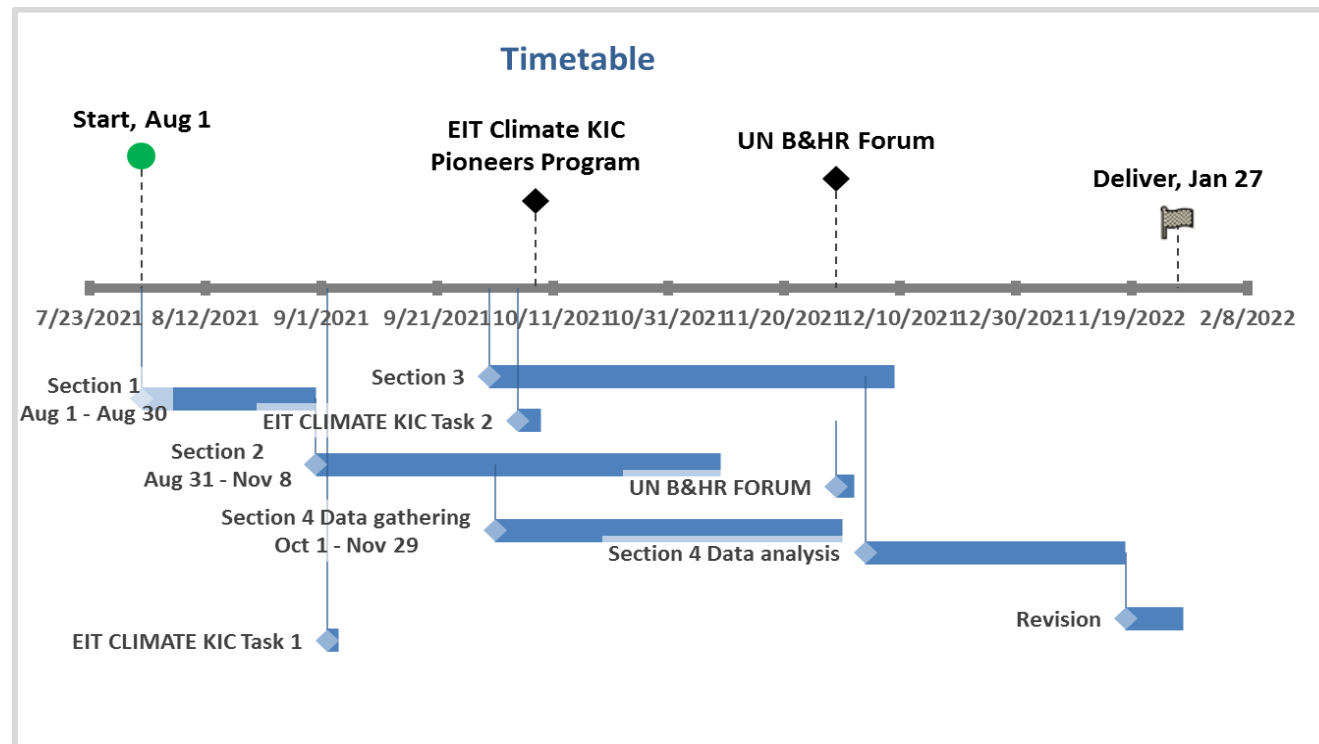
This research aims to explore the social gap (or integration of the social dimension) in Circular Economy theory and legal frameworks as well as conduct an initial analysis on how circular business can hinder or foster the protection of human rights, delineating a Business and Human Rights case for the Circular Economy. To do so, the research intends to answer:

- ▶ **RQ1:** How is Circular Economy integrating social aspects?
- ▶ **RQ2:** How Circular Businesses could foster Business and Human Rights principles?

Methodology

- ▶ **Section 1:** An introductory literature review of circular economy theoretical framework aims to delineate the basilar theories and identify the social gap in Circular Economy theory. Snowballing and aggregated bibliometric methodologies will support the literature review;
- ▶ **Section 2:** A legal analysis of the current policy framework for Circular Economy at the European regional and strategic level aims to point out the correlation with Business and Human Rights' principles, identifying possible synergies, gaps and antinomies; Doctrinal and analytical legal research methodologies will support this section;
- ▶ **Section 3:** A literature analysis of circular business models classification aims to identify how such models can hinder or foster Business and Human Rights principles. Interdisciplinary research methods will be experimented in this section.
- ▶ **Section 4:** A selection of case studies will be analyzed to empirically assess how benchmarked circular business models are integrating human rights due diligence, with a cross analysis of environmental, economic and social indicators to identify Business and Human Rights cases within circular business models. This section is intended to be developed in combination with the European Institute of Technology – Climate KIC Pioneers Program placement, conducting interviews and visits to benchmarked businesses.

Proposed timetable



Section 1: Literature Review

Defining Circular Economy

- ▶ The most renowned definition has been framed by the Ellen MacArthur Foundation, introducing the Circular Economy as “an industrial economy that is restorative or regenerative by intention and design”
- ▶ Webster (2015: 16) adds that “a circular economy is one that is restorative by design, and which aims to keep products, components and materials at their highest utility and value, at all times”
- ▶ Accordingly, Yuan et al. (2008: 5) state that “the core of [the Circular Economy] is the circular (closed) flow of materials and the use of raw materials and energy through multiple phases”
- ▶ Bocken et al. (2016: 309) categorize the characteristics of the Circular Economy by defining it as “design and business model strategies [that are] slowing, closing, and narrowing resource loops”.

Section 1: Literature Review

Circular Economy Theoretical Background

- ▶ Boulding's (1966) describes the **earth as a closed and circular system with limited assimilative capacity**, and inferred from this that the **economy and the environment** should coexist in equilibrium.
- ▶ Stahel and Reday (1976) introduced certain features of the Circular Economy, with a focus on **industrial economics**.
- ▶ Most relevant theoretical influences are cradle-to cradle (McDonough and Braungart, 2002), laws of ecology (Commoner, 1971), looped and performance economy (Stahel, 2010), regenerative design (Lyle, 1994), industrial ecology (Graedel and Allenby, 1995), biomimicry (Benyus, 2002), and the blue economy (Pauli, 2010).

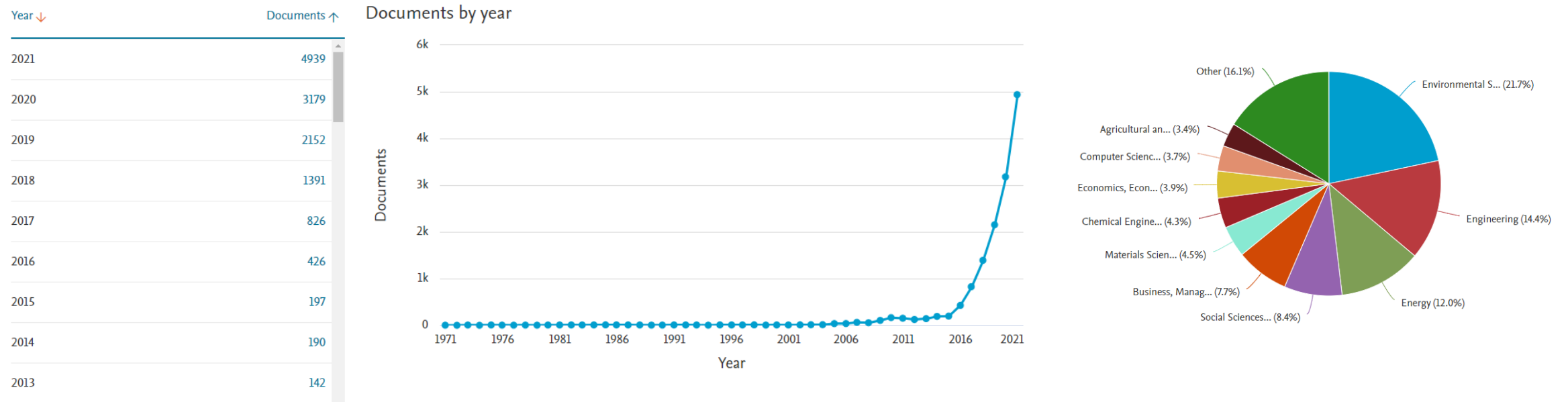
Section 1: Literature Review

The Social Gap in Circular Economy

- ▶ While sustainability aims at benefiting the environment, the economy, and society at large (e.g. Elkington, 1997), the **main beneficiaries of the Circular Economy appear to be the economic actors** that implement the system.
- ▶ The environment is also seen to benefit through less resource depletion and pollution, and **society benefits from the environmental improvements** and certain add-ons and assumptions, like more manual labour or fairer taxation (e.g. Webster, 2015),
- ▶ The Circular Economy “**clearly seems to prioritise the economic systems with primary benefits for the environment**, and only implicit gains for social aspects”.(Bocken, 2017).
- ▶ The predominant focus of most circular economy-related approaches is, however, within the environmental and economic dimension, whereas social aspects, such as labour practices, human rights or community well-being, have only been **peripherally and sporadically integrated into the circular economy concept**. (Mies & Gold, 2021)

Section 1: Literature Review

Circular Economy Bibliometrics



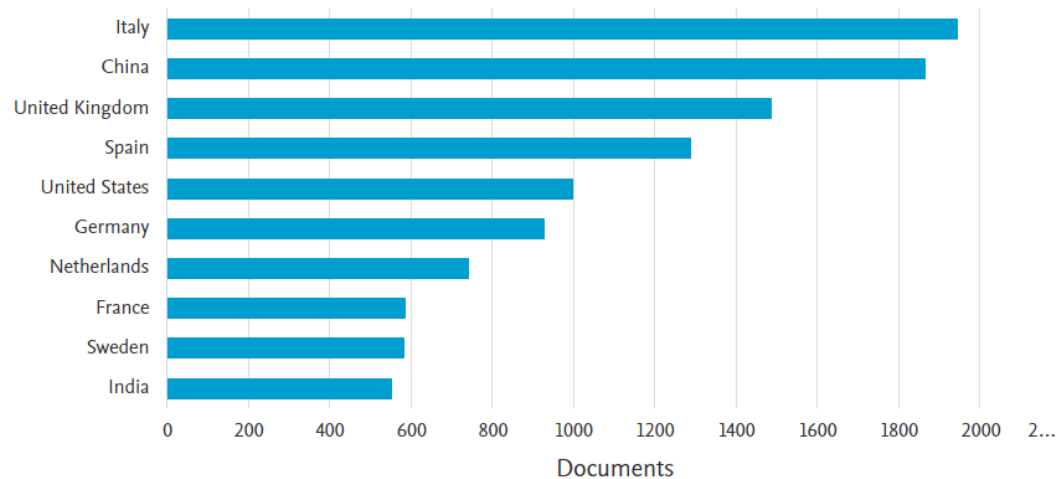
- Scopus analysis of 14.375 Circular Economy publications from 1970 to 2021.

Section 1: Literature Review

Circular Economy Bibliometrics

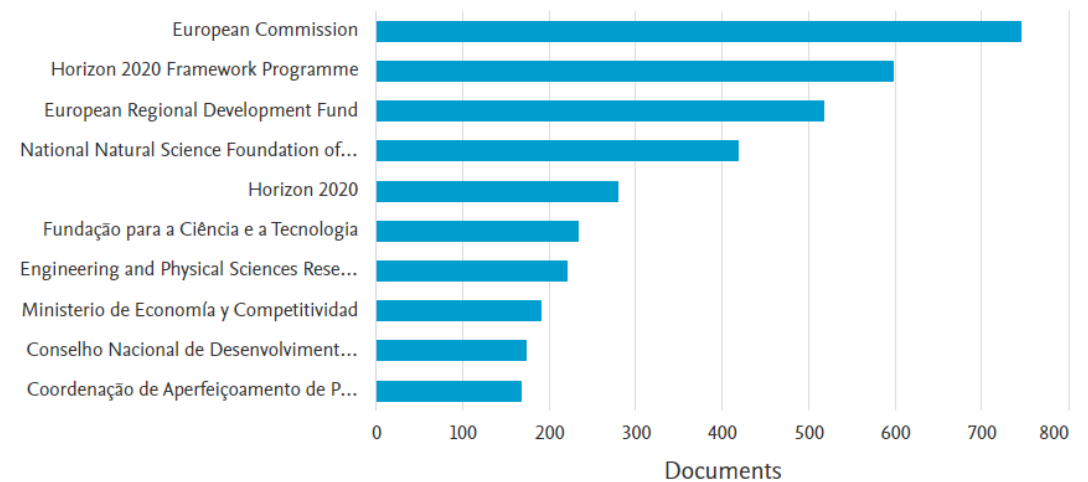
Documents by country or territory

Compare the document counts for up to 15 countries/territories.



Documents by funding sponsor

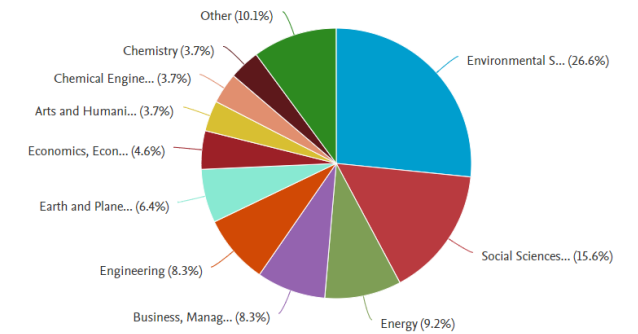
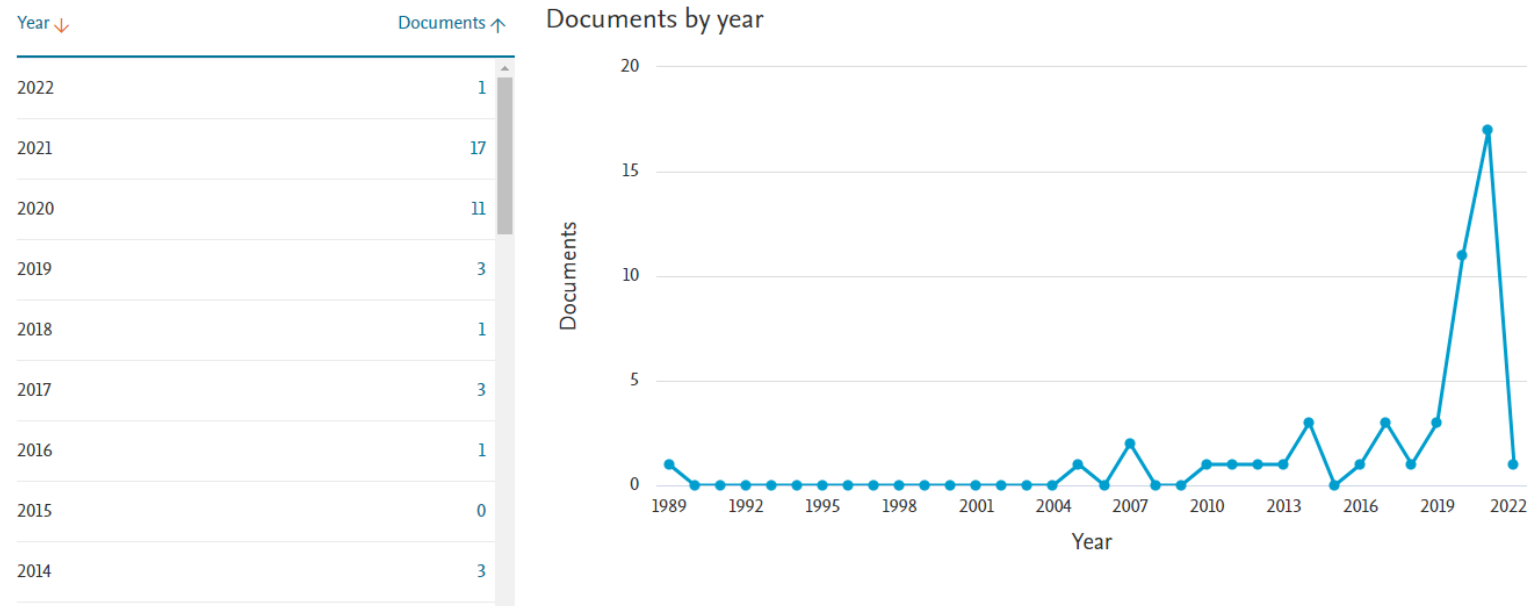
Compare the document counts for up to 15 funding sponsors.



- Scopus analysis of 14.375 Circular Economy publications from 1970 to 2021.

Section 1: Literature Review

Circular Economy and Human Rights Bibliometric



- Scopus analysis of 48 Circular Economy AND Human Rights publications from 1970 to 2021.

Section 1: Literature Review

Key Findings

- ▶ The literature references and bibliometric analysis confirm that Circular Economy theoretical framework does not proportionally integrate the social dimension.
- ▶ While peer-review publications have **40-folded in a decade** to above 14.000, only 8.4% account for social sciences and less than 50 publications representing **only 0,35% have integrated human rights references.**
- ▶ Europe and China are the main Circular Economy publishers, with particular **time correlation to the adoption of regional circular legal frameworks.**

Section 2: Legal Analysis

Circular Economy Policy Framework

- ▶ The concept has also gained traction with policymakers, influencing governments and intergovernmental agencies at the local, regional, national, and international level:
 - ▶ Germany was a pioneer in integrating the Circular Economy into national laws, as early as 1996, with the enactment of the “Closed Substance Cycle and Waste Management Act” (Su et al., 2013).
 - ▶ This was followed by Japan's 2002 “Basic Law for Establishing a Recycling-Based Society” (METI, 2004)
 - ▶ China's 2009 “Circular Economy Promotion Law of the People's Republic of China” (Lieder and Rashid, 2016).
 - ▶ Supranational bodies have also incorporated circular economy concerns e most notably the EU's 2015 Circular Economy Strategy (European Commission, 2015).
- ▶ Currently, EU's second Circular Economy Action Plan (CEAP 2020) constitutes a main building block and strategical policy of the European Green Deal.

Section 2: Legal Analysis

EU CEAP 2020



The European Commission's second Circular Economy Action Plan 2020-24 forms a central pillar of the EU Green Deal – a vision for growth that puts the EU on the course to become the first climate-neutral continent.

In parallel, an increasing number of European countries are developing complementary national strategies, spanning from Finland in the north in 2016 to Spain in the South in 2020. The Netherlands has set out targets for the country to become fully circular by 2050.

Section 2: Legal Analysis

EU CEAP 2020: “Making circularity work for people, regions and cities”

- ▶ Between 2012 and 2018 the number of jobs linked to the circular economy in the EU grew by 5% to reach around 4 million 41 . Circularity can be expected to have a positive net effect on job creation provided that workers acquire the skills required by the green transition. The potential of the social economy, which is a pioneer in job creation linked to the circular economy, will be further leveraged by the mutual benefits of supporting the green transition and strengthening **social inclusion**, notably under the Action Plan to implement the European Pillar of Social Rights 42 .
- ▶ The Commission will ensure that its instruments in **support of skills and job creation** contribute also to accelerating the transition to a circular economy, including in the context of updating its Skills Agenda, launching a Pact for Skills with large-scale multi-stakeholder partnerships, and the **Action Plan for Social Economy**. Further investment in education and training systems, lifelong learning, and social innovation will be promoted under the European Social Fund Plus.
- ▶ The Commission will also harness the potential of EU financing instruments and funds to support the necessary investments at regional level and ensure that all regions benefit from the transition. In addition to awareness-raising, cooperation and capacity-building, Cohesion Policy funds will help regions to implement circular economy strategies and reinforce their industrial fabric and **value chains**. Circular economy solutions will be tailored to the outermost regions and islands, due to their dependence on resource imports, high waste generation fuelled by tourism, and waste exports. The **Just Transition Mechanism** proposed as part of the European Green Deal Investment Plan and InvestEU will be able to support projects focusing on the circular economy.

Section 2: Legal Analysis

EU CEAP Key Actions and Sectoral Approach

ELECTRONICS and ICT



Electrical and electronic equipment is one of the fastest growing waste streams in the EU.

Two in three Europeans would use their digital devices for longer provided performance is not significantly affected.



Products placed on EU market will be designed to **last longer, to be easier to repair, recycle and reuse**.

Providing incentives for **product-as-a-service**: companies will keep the ownership and responsibility for the product throughout its lifecycle. **Eco-design** will apply to a broader range of products.

TEXTILES



Worldwide, a full truck of **textiles** is sent to incineration or landfilled every second. It is estimated that less than 1% of all textiles worldwide are recycled into new textiles.



Driving new business models will boost sorting, reuse and recycling of textiles, ensure circularity in the sector and allow consumers to choose sustainable textiles.



FOOD and PACKAGING



In 2017 packaging waste reached in Europe a record of **173 kg per inhabitant**.



New legislative initiative on reuse to **substitute single-use packaging**, tableware and cutlery by reusable products in food services, as well as targets for reducing packaging waste will be proposed.

PLASTICS



Consumption of plastics is expected to double in the coming 20 years.

By 2050, plastics could account for 20% of oil consumption, 15% of greenhouse gas emissions, and there could be more plastics



Single-use products will be **phased out** wherever possible and replaced by durable products for multiple use.



Acting on microplastics - restricting intentionally added microplastics, increasing the capture of microplastics at all relevant stages of the product lifecycle.

WASTE



Each citizen produces nearly **half a tonne of municipal waste per year**.



Measures will be introduced for **waste prevention and reduction**, increasing recycled content, minimising waste exports outside EU.



Section 2: Legal Analysis

EU CEAP Key Actions and global promotion

- ▶ Pursuant to the 2015 CEAP, 54 policy proposals were enacted.
- ▶ The 2020 CEAP has currently entailed 11 policy proposals:
 - ▶ new regulation on sustainable batteries
 - ▶ Global Alliance on Circular Economy and Resource Efficiency (GACERE)
 - ▶ updated rules on persistent organic pollutants in waste
 - ▶ new rules on waste shipments
 - ▶ rules on industrial emissions
 - ▶ reviewed requirements on packaging and packaging waste
 - ▶ Ecodesign Directive
 - ▶ EU strategy for sustainable textiles
 - ▶ legislative proposal empowering consumers in the green transition
 - ▶ legislative proposal for substantiating green claims made by companies

The Circular Economy Action Plan calls for the **systematic promotion of the global circular economy transition** through multilateral, bilateral and regional policy dialogues, and environmental and free trade agreements:

- **Multilateral fora**, such as the United Nations, G7 and G20
- **UN conventions** on climate change, biological diversity and desertification and other multilateral environmental agreements
- **Cooperative programmes**, for example, the Ten-Year Framework Programme on Sustainable Consumption and Production
- The EU **Free Trade Agreements** will seek to reflect the enhanced objectives of the 2020 Circular Economy Action Plan, in particular, in the context of Trade and Sustainable Development agenda.



Bilateral policy dialogues provide opportunities for promoting the EU's circular economy approach, especially with developing countries, as well as international standards development, and opening new markets for European businesses.



Support to **regional initiatives** in e.g. **Africa** and the **Western Balkans** offers opportunities to maximise the benefits of the circular economy.



Section 2: Legal Analysis

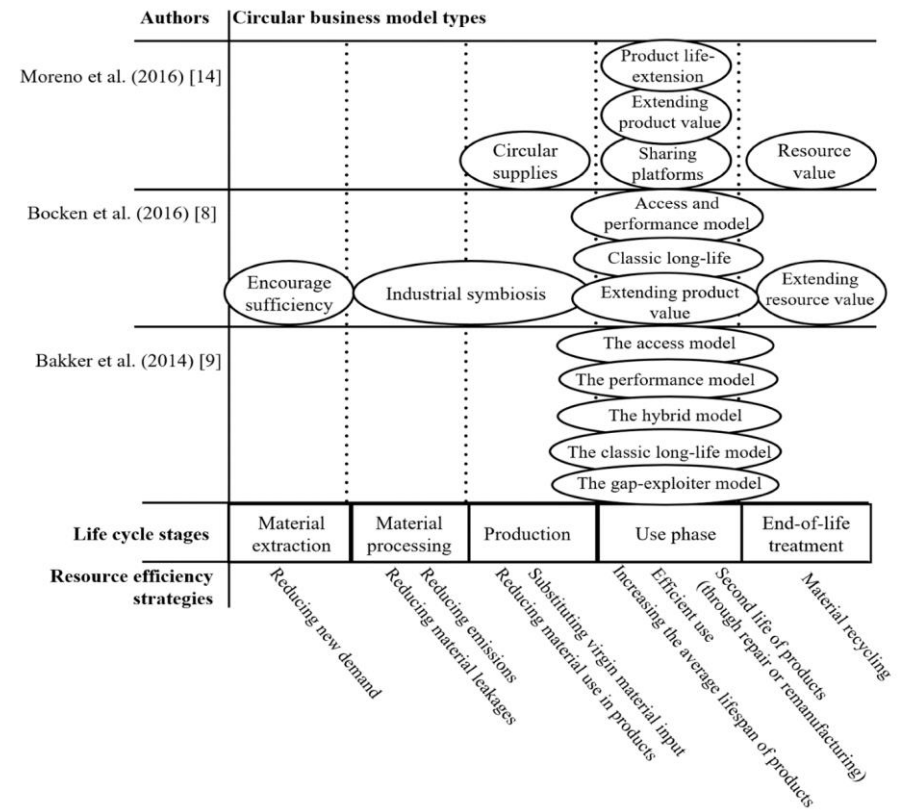
Key Findings

- ▶ Amongst the 2020 CEAP and its policy proposals:
 - ▶ 27% refer to human rights;
 - ▶ 54% refer to human rights principles related to consumption;
 - ▶ 18% refer to “just work” and 27% refer to “just transition”
 - ▶ 18% mention the OECD Guidelines;
 - ▶ Only 1 proposal refers to the United Nations Guiding Principles on Business & Human Rights: (the new regulation on sustainable batteries)
- ▶ Human rights most commonly addressed in the CEAP are: consumers rights, labour as a right (jobs), human health;
- ▶ Notwithstanding the Global Promotion Plan, most of the rights are mentioned within Europe’s context and **do not foresee extension throughout the supply-chain**;
- ▶ **Variable legal scopes** (Sectoral approach) and sources (Regulations, Directives, Rules, Strategies) pose some methodological roadblocks that deserve further development;

Section 3: Literature Analysis

Circular Business Models (under development)

- ▶ **Section 3:** In the current state, a literature review has pointed to 3 most cited frameworks for circular business models.
- ▶ A cross-analysis has provided 45 business models, divided by 5 key-strategies (narrow, slow, close, regenerate, inform) which are being clustered to identify correlations with Business & Human Rights due diligence enablers.



Section 4: Literature Analysis Case studies and Recommendations (under development)

- ▶ **Section 4:** A selection of case studies based on Section 3 findings is being analyzed to empirically assess how benchmarked circular business models are integrating human rights due diligence;
- ▶ 5 circularity and B&HR indicators have been identified to cross-analyze Business and Human Rights cases and due diligence performance within circular business models;
- ▶ The intended outcome of the last Section is to provide specific strategic recommendations for business to adopt circular models or improve their circularity performance while lowering human-rights related risks.

Thank you for your attention!

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