

CARBON EMISSIONS AND THE CORPORATE CIRCULAR ECONOMY ¹

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Abstract

We create a new index for corporate circular economy that establish, unprecedentedly, an empirical connection between carbon emissions and company efforts to achieve a Circular Economy. Using data from STOXX Europe 600 firms, between 2014 and 2020, we shape the four index's components: policies disclosures, monitoring mechanisms, initiatives and efficiency targets. Our findings confirm that increasing from 25th to 75th percentile a firm corporate circular economy index reduces CO₂ emissions by 15%. Results suggest direct disclosure to markets of clear policies and targets are a more powerful commitment mechanism than internal monitoring systems like independent board member and specialized auditors.

Keywords: Circular Economy; Corporate Environmental Performance; Carbon Emissions; Circularity Index; ESG Criteria; Climate Change; Sustainable Development.

JEL codes: G34, Q53; Q57; Q59

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