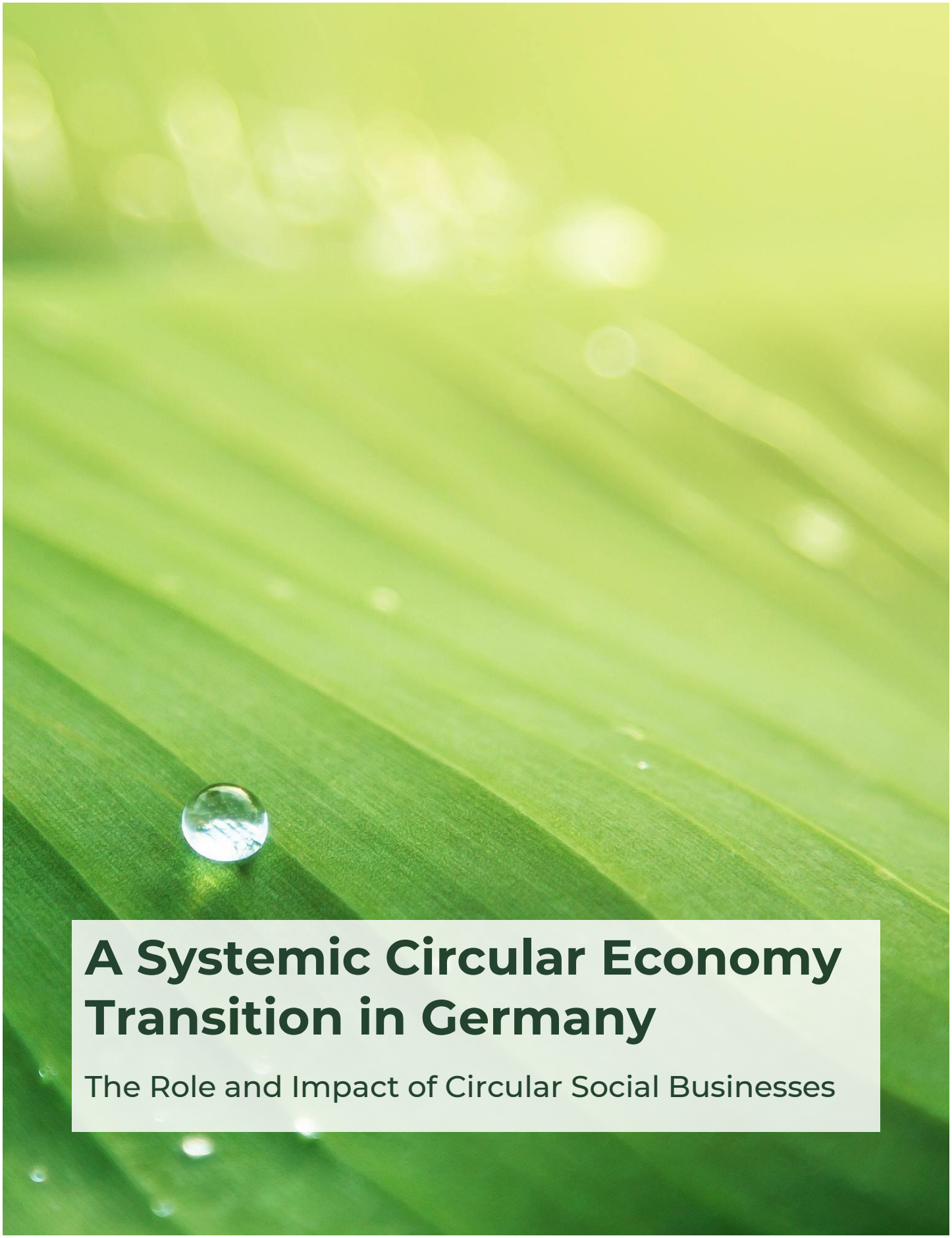

A Systemic Circular Economy Transition in Germany

The Role and Impact of Circular Social Businesses

YUNUS ENVIRONMENT HUB

BertelsmannStiftung

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About the Study

This study aims to highlight the often-overlooked social dimension of the **Circular Economy**: It explores the characteristics of **Social Businesses in the German Circular Economy landscape** and outlines how social business models can drive systemic change towards a more circular and holistically sustainable economic future. It furthermore offers concrete pathways for policymakers, investors, and entrepreneurs to scale impact-driven innovation in the Circular Economy.

Yunus Environment Hub, the **global social business network** creating solutions to the environmental crisis co-founded by Nobel Peace Prize Laureate Professor Muhammad Yunus, brought its deep expertise in environmental and social innovation to this research, advocating for circular solutions that benefit both people and the planet.

The **Bertelsmann Stiftung** contributed to this project as part of its long-standing commitment to a **Sustainable Social Market Economy**. With a strong focus on forward-looking governance and economic structures, the foundation has been actively engaged in the topic of Circular Economy for many years and sees social and ecological innovation as key drivers of future economic resilience.

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Julia Gschwendner, Andrea Naranjo González, Armando García Schmidt

Executive Summary

While Circular Economy (CE) discussions typically focus on environmental and economic goals, this report shines a spotlight on the often-overlooked social dimension as a critical lever for systemic change through CE. This study therefore explores characteristics and mechanisms of Circular Social Businesses – businesses that integrate CE strategies along a strong social mission at the core of their business model – and identifies pathways to enable a holistically sustainable and inclusive circular transition in Germany.

Germany's newly adopted National Circular Economy Strategy (NKWS) reflects growing political momentum. However, CE policy and funding remain heavily focused on technological and ecological innovation. As a result, businesses that deliver social impact alongside circular solutions – such as Circular Social Businesses – are not yet fully recognized or supported, despite their potential to create holistic impact: economic, environmental, and social.

Based on a proprietary database of 274 circular businesses active in Germany, the study identifies a subset of Circular Social Businesses (39%) that meet three criteria: (1) a viable business model, (2) a clear environmental contribution using circular strategies (e.g. "reduce," "reuse," "restore"), and (3) a core social impact mission embedded in their primary business activities. These Circular Social Businesses work across sectors such as food, textiles, and packaging and are often locally anchored.

The analysis reveals that Circular Social Businesses focus more strongly than traditional Circular Startups on high-leverage circular strategies such as "rethink" and "restore", which go beyond recycling and efficiency to transform how we produce, consume, and live. Their solutions foster behavioural change, social inclusion, social cohesion, local value creation, collaboration and ecosystem building, education, and empowerment. In doing so, Circular Social Businesses not only reduce resource use but also strengthen communities and enable societal participation in the circular transition.

Circular Social Businesses show that the CE can be more than a technical fix – it can be a people-centred transformation. To fully unlock the potential of CE, social impact must be treated not as a side effect, but as a catalyst. Supporting Circular Social Businesses means accelerating the shift toward a circular future that is not only more environmentally sustainable but also more inclusive with the potential to foster systemic change.

Key recommendations:

- To businesses: Embed at least three of the five identified principles for systemic impact in the CE – address root causes, drive behavioural change, ensure accessibility, foster collaboration, and practice transparency – and align growth with their social-environmental mission.
- To funders and investors: Expand funding models beyond exit-driven mechanisms. Introduce impact criteria that value social inclusion and local relevance. Support replication of place-based solutions with systemic benefits.
- To policymakers: Establish the social dimension as a strategic pillar in CE strategies like the NKWS. Adjust public funding to explicitly include social business models. Use public procurement to stimulate demand for circular solutions that are both environmentally sustainable and socially inclusive.

Content

1 Introduction

The Global Footprint Network calculates the Earth Overshoot Day for every national economy each year. In 2025, the German economy had already used up the biological resources allocated to it for the entire year by May 3rd – earlier than ever before. If every economy in the world consumed resources at the same rate as the German economy, humanity would need three Earths (Earth Overshoot Day 2025).

If we want to secure humanity's survival on this planet, we must radically change the way we handle the resources the Earth provides us. The concept of the Circular Economy (CE) seeks to give an answer to this challenge. CE is a holistic economic model that enables value creation, prosperity, and security of supply within the planet's ecological limits. The main goal of CE is to decouple economic performance from the consumption and degradation of resources.

1.1 Germany's Advancements in the Circular Economy and the Potential of the Social Dimension within the Circular Economy

To enable the breakthrough of CE, efforts are needed across all areas of politics, business and society. And change is underway! In recent years, Germany has advanced:

In the political sphere, a multistakeholder process led to the development of a National Circular Economy Strategy ("Nationale Kreislaufwirtschaftsstrategie" NKWS). This strategy was adopted by the federal government in December 2024 and thus serves as a basis for action for future governments as well. Notably, the conceptual foundation of the strategy is the idea of a CE as a comprehensive economic model. This marks a new and significant shift in the political debate in Germany, which had previously focused primarily on the traditional understanding of a "Kreislaufwirtschaft" in terms of improved waste management (BMUV 2024).

There is also a great deal of momentum in the business sector and in society at large. Numerous medium-sized and large companies, especially from the manufacturing industry, are investing in the search for product and process innovations to unlock circular value creation potential. The significance of the topic is underscored, among other things, by the fact that the Federation of German Industries (Bundesverband der Deutschen Industrie, BDI) has launched its own CE initiative.

Several economic and societal organisations took up or intensified their work to develop, grow and scale innovative business models in the area or to enhance public awareness and the cooperation of different actors, too. Examples worth mentioning here include, for instance: Circular Economy Initiative Deutschland, Acatech, Circular Futures by Project Together, WWF Germany, the Röchling Foundation, Circularity, Circular Valley and Circular Republic among others. Particularly noteworthy is also the growing landscape of projects and initiatives at the municipal or regional level that connect stakeholders and provide concrete impulses for cooperation: Circular Berlin, Circular Munich, CirQuality OWL, Lippe zirkulär, bergisch.circular, to name just a few.

In addition, the specific role of startups in advancing and championing the CE was identified through their agile and creative approaches and received growing attention through dedicated support and scaling programs. Specific intermediaries like Circular Futures, Circular Valley and Circular Republic dedicate their efforts towards advancing innovation as well as developing new circular solutions and enabling their market uptake. A rapidly increasing funding for startups with circular products or business models can be observed (Circular Republic 2024).

The wider definition and focus of the CE, combined and embedded within business practices, holds a big potential to contribute to climate and environmental targets and opens opportunities for economic growth on a micro and macro level.

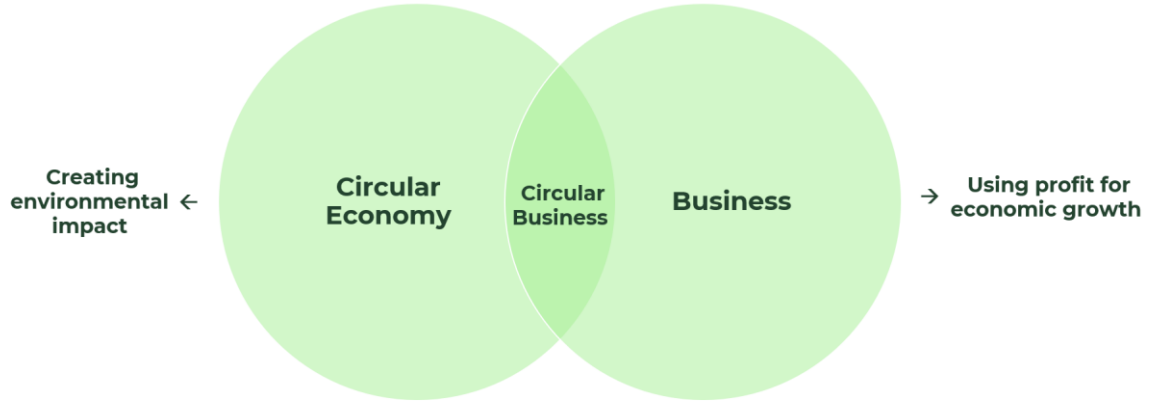

Figure 1 - Environmental impact creation and growth potential by circular businesses

Besides economic growth and environmental impact creation – which are two out of three components of creating holistic sustainability (Purvis et al. 2018) – business activities within the CE hold further potential: Beyond only being active in the CE, contributing to a Circular Social Economy where social and environmental concerns are being put at the heart of business models alongside economic objectives (OECD 2022), and hence creating long-lasting systemic change that benefits the planet and the people.

1.2 Aim and Scope of the Report

This study aims to explore the social element of and within the concept of CE and draw conclusions about how systemic impact can be created through the CE – going beyond the much-analysed areas of economic and environmental impact created through CE business models.

If we are to move toward a truly social CE, the next steps must be taken by pioneers and bold experimenters in the business sector. Startups and newly emerging businesses have always been drivers of change in various fields – testing and scaling new, previously unknown value creation models and, in doing so, fundamentally transforming entire markets and even the social dimension itself.

Given the dynamic developments currently underway in Germany, we believe it is particularly important that economic, ecological and social transformation is driven by new businesses. These businesses should, on the one hand, clearly commit to value creation models based on circularity. At the same time, they should pursue one or more clear social impact goals.

To understand if and how the integration of the different impact components – economic, ecological and social – is possible, we looked at how Social Businesses[1] integrate social components at the core of their business model alongside their environmental and CE strategies.

[1] For detailed definition of “Social Business”, refer to chapter 2.4 Social Business.

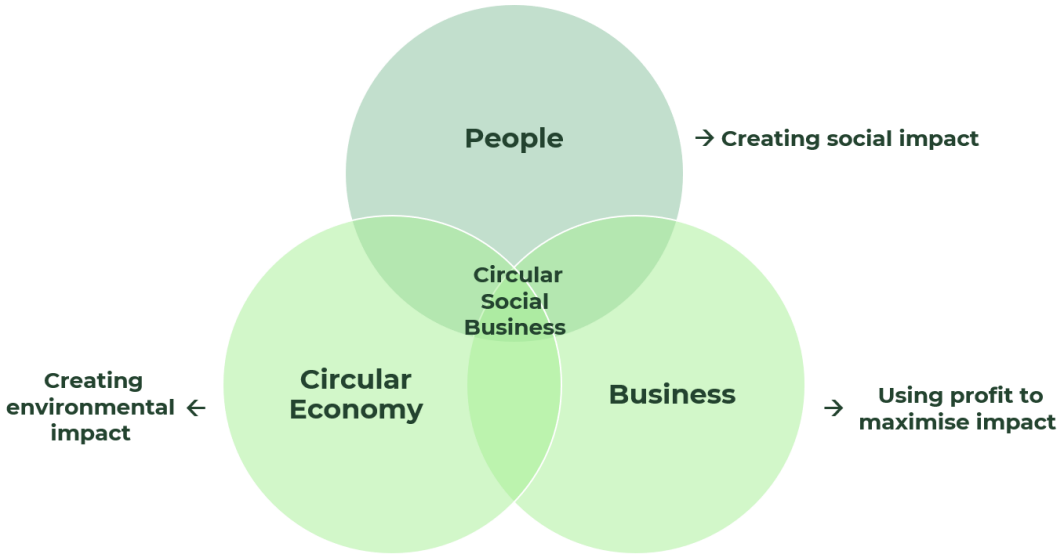

Figure 2 - Integration of the people component: Environmental and social impact creation by Circular Social Businesses

In doing so, we open up a new field of research. The guiding questions of this study are therefore quite fundamental:

- How can Social Businesses in the CE be characterised?
- What does the landscape of Social Businesses in the CE currently look like in Germany – from their focus areas through to the type of impact created?
- And finally: Is there awareness in the current support and funding landscape that this specific group of Social Businesses in the CE exists – or even a basic understanding that circularity and social transformation are mutually dependent?

The scope of analysis hence does not only provide new insights and avenues for research. It also

- sets a taxonomy and definitions for the overlap of CE, business models as well as environmental and social impact;
- maps Circular Startups and Circular Social Businesses in Germany, shows examples and draws conclusions on the contribution of Circular Social Businesses' potential to the overall socio-ecological transformation;
- and provides principles and practical learnings on how to successfully create systemic impact within the CE.

1.3 Methodology and Data Collection

Data Collection

For the analysis of the impact created by Social Businesses in the CE in Germany, Yunus Environment Hub created a proprietary database of 274 businesses active in the CE registered in Germany, encompassing all sectors as well as founding years from 2010 to 2024 to ensure a balanced analysis.

To collect the data required for the analysis of the landscape of Social Businesses in the CE, we reviewed 22 publicly available databases[2] of circular, environmental and social startups and businesses in Germany. The reviewed databases mostly already have a focus on "impact-oriented" businesses, meaning they are – according to the respective organisations' definitions – creating environmental and/or social impact.

To decide on whether a startup would be included in the list, we reviewed the available databases manually. The first filtering was conducted to include those with a circular dimension only, using the 10 R-strategies as a filter (Morseletto, 2020). In the next step before being added to the list, we double-checked the environmental impact creation of the circular business. As a result, Yunus Environment Hub's own database of 274 circular businesses that create environmental impact was created providing a basis for further analysis.

Mapping of Circular Businesses

Firstly, we mapped all circular businesses included in the list against the following general aspects identified through their websites, LinkedIn pages and listings on websites of incubation or acceleration programs they had participated in before: Founding year and phase of business, city and region in Germany, and sector.

Secondly, we reviewed all circular businesses against their business model, consisting of their offering (physical or digital product, service, product-service system, platform) and their revenue model (selling a product, selling a service/consultancy fee, sharing/leasing, license, membership, subscription, other). This information was obtained based on the publicly available descriptions of the businesses, mostly stemming from their websites. The business model analysis was performed independently from their CE engagement.

Therefore, thirdly, we assessed the CE approach of each business, allowing us to determine their circular role (circular input, circular product, or circularity enabler), and their applied CE strategies. In this regard, each business received between one and three R-strategy tags.

As a fourth step, we took a closer look at the social impact creation of the startup. To be able to draw a conclusion on the social impact contribution and potential of each business, we checked the vision and mission of the businesses. If not visible through these statements, we reviewed supporting documents specifically for social impact elements, such as impact sections on websites or sustainability and impact reports if available. With this information available, we could take the following analysis steps:

- Social impact creation: Yes/no
- Target group of all social impact activities
- Approach to create social impact: Primary (through revenue-generating activities), secondary (through activities in addition to revenue-generating activities), and value chain (along each step of the value chain)
- As no taxonomy of social impact in CE was available yet and the report aims to draw conclusions on the social impact creation of circular businesses, we used an inductive approach. We described the

[2] Sources ordered alphabetically: betterventures investment portfolio, BonVenture investment portfolio, capacura investment portfolio, CDTM alumni database, Circular Berlin ecosystem map, Circular Hubs map, Circular Munich ecosystem map, Circular Republic Startup Landscape Report 2023, Circular Republic Landscape Report 2024, Circular Valley Accelerator Batches 5 to 8, DealRoom Top 100 impact startups to watch, Ellen MacArthur Foundation circular startup index, Euclid European Social Enterprise Monitor, Impact Factory startup database, Impact Festival 2024 participants, Impact Hub Berlin members, Impact Hub Berlin Circular Together programme participants, Nawi Berlin navigation for sustainable business in Berlin, SEND Deutscher Social Entrepreneurship Monitor 2024, SEND members database, Social Economy Berlin competition 2024 participants, SZ Gipfelstürmer competition 2024 participants

type of social impact created as a narrative for each business, which then allowed us to identify the most common areas of social impact creation in CE.

Specifically for this report and for enhanced clarity of clustering and presenting the findings, we categorised the circular businesses from the database into two categories: 1) “Circular Startups”, and 2) “Circular Social Businesses”. The specific definitions used for this report can be found in chapters 2.4 and 2.5. When referring to the whole dataset, we refer to the businesses holistically as “circular businesses”.

Business model		**Circular Economy**		**Impact**	
Offer:	**Revenue model:**	**Circular role:**	**R-strategy:**	**Environmental:**	**Social:**
Product physical Product digital Service Product-service system Platform	Selling product Selling service/ consultancy fee Sharing/ leasing License Membership Subscription Other	Circular input Circular product (design, production, use) Circularity enabler	R-1 Restore R0 Refuse R1 Rethink R2 Reduce R3 Reuse R4 Repair R5 Refurbish R6 Remanufacture R7 Repurpose R8 Recycle R9 Recover	Climate change mitigation Sustainable use and protection of water and marine resources Transition to a Circular Economy Pollution prevention and control Protection and restoration of biodiversity and ecosystems	Strengthen local economies Promote sustainable lifestyles Public awareness Education and training Health, safety & wellbeing Women empowerment Social inclusion Social cohesion Ecosystem building and collaboration Through primary, secondary or value chain activities
Systemic impact					
Principles Tackling root causes Behavioural change Accessibility Collaborative approach Transparency					

Figure 3 – Taxonomy of circular business activities including social and systemic impact creation

Developing a Taxonomy of Social Impact Creation in Circular Economy

Summarising the conclusions from the mapping allowed us to draw up a taxonomy for our research field. Specifically, the qualitatively assessed details on the social impact creation led us to a conceptualisation of takeaways in the impact field, such as the determination of social impact areas and pathways within circular business models, as well as the identification of principles for systemic impact creation within the CE.

In our inductive approach, the now available taxonomy allowed us to refine the mapping according to the newly developed taxonomy areas.

Statistical Takeaways on Circular Startups and Circular Social Businesses in Germany

From the collected data and the business mapping, we could draw several statistical outcomes. These include for instance the geographic representation of Circular Social Businesses in Germany as well as founding years and business stages, or takeaways on their characteristics such as sector representation, circular roles or applied R-strategies.

To substantiate and extend the taxonomy and theoretical frameworks developed, we took on board trends identified from an extensive literature review including CE literature, social and environmental impact literature, as well as social entrepreneurship literature. To confirm findings, a survey among circular businesses was distributed among 75 businesses identified during the mapping, and semi-structured interviews with chosen circular businesses were conducted. To validate the theoretical concepts developed, semi-structured interviews were conducted in addition with other representatives from the CE field, including representatives from research institutions as well as from intermediaries. Finally, a validation of the concept was conducted through a presentation of research outcomes to a diverse group of social entrepreneurship and environmental experts during a pitch and following discussion at Impact Hub Munich.

2 Taxonomy and Definitions

The section below provides an overview of the used taxonomy and at the same time serves as a brief introduction to CE, impact and Social Business.

2.1 Circular Economy

To understand what the circular businesses engage in within the CE field and which strategies they apply, as well as to allow a holistic analysis and ensure comparability within the landscape, a simple yet comprehensive approach was chosen by looking at their circular role as well as the R-strategies applied. Both approaches are based on CE research and literature including own adaptations.

The circular roles (European Commission 2020a, OECD 2019) outline the specific role that a business plays in the system, based on the nature of circular business activities. They encompass three dimensions:

1. Circular input: Supplying renewable, recycled, and/or bio-based raw materials.
2. Circular product: Offering products that are circular in the way they are designed, produced or used.
3. Circularity enabler: Facilitating the uptake of CE practices and supporting the CE transition through product life extension and/or reverse logistics services or platforms.

Highest level of circularity Innovations in product and business model design **→ Systemic solutions**	**Integrated responsibility:** Product design, responsible manufacturing and responsible use **→ Narrow = Use fewer products, components, materials and energy during design, production and use**	**R-1 Restore**	Support the regeneration of nature by restoring natural ecosystems
		R0 Refuse	Prevent the production of new products. Prevent the use of non-renewable and virgin materials in the creation of goods, processes and services.
		R1 Rethink	Reconsider ownership, use and maintenance of products, including renting and sharing of products. Reconsider the value of things.
		R2 Reduce	Decrease the use of non-renewable, virgin and toxic materials in products and services. Promote the use of recycled and bio-based materials.
	Improvement of existing product: Optimal use and extended product life **→ Slow = Use product, components and materials longer.**	**R3 Reuse**	Secondary use of products by another owner for the same intended purpose.
		R4 Repair	Maintain and repair existing products for extended use. Provide components for repair and spare parts.
		R5 Refurbish	Restore and improve products to a satisfactory condition for extended use.
		R6 Remanufacture	Make more products with the same purpose with discarded products or parts.
		R7 Repurpose	Make new products with a different purpose with discarded products or parts. Upcycle products.
Lowest level of circularity Innovations in core technologies **→ Traditional solutions**	**Damage control and avoidance:** Product end-of-life management and return, value capture and retainment, waste as a resource **→ Close = Bring post-consumer waste back into the economic cycle**	**R8 Recycle**	Process waste into new products or materials that can be used for new products. Reverse logistics to collect end-of-life products and materials for recycling.
		R9 Recover	Process waste to recover energy.

Figure 4 - R-strategies and their application (Source: Own graphic based on Malooly et al. (2023), Konietzko et al. (2020), Morseletto (2020), Potting et al. (2017))

The R-Strategies are a set of approaches to reduce the consumption of natural resources and materials, and minimise the production of waste. According to Potting et al. (2017), there are ten circular strategies and can be ordered according to their levels of circularity. Higher levels of circularity lead to greater environmental benefits:

- Strategies such as refuse, rethink and reduce have the highest degree of circularity and require a high level of innovation in product and business model design and socio-institutional change. These strategies aim to narrow product, material and energy flows.
- Strategies that aim to slow product, material and energy flows and extend product lifetime, namely reuse, repair, refurbish, remanufacture and repurpose have a higher degree of circularity. These strategies involve greater innovation in product and business models, as well as socio-institutional changes, but less emphasis on technological innovation.
- Recycle and recover are strategies that aim to close the loop of product, material and energy flows. These strategies have the lowest degree of circularity and rely on high levels of technological innovation, focusing less on product and business model innovation.

While analysing the businesses and identifying the R-strategies used, we identified a gap in the widely used ten strategies. Some of the businesses mapped do not only focus on maximising resource efficiency while minimising waste with the rationale of doing less harm but go one step further and actively build natural capital and create space for rewilding, creating net positive environmental impact. This led to expanding the R-strategies with an additional strategy – R-1 Restore – which has the highest degree of circularity as it helps to regenerate nature.

2.2 Circularity in Business

Within the CE a wide range of business models are represented, including different types of offerings – from physical products, via digital products, services or product-service systems, through to platforms, as well as various types of revenue models – from simply selling a product or service, through to sharing, leasing, licensing, or memberships and subscriptions.

When combining business and revenue models and circular strategies, several new and innovative ways of generating revenue by fostering environmental and even social impact can be observed. These include for instance retained product ownership (RPO) through sharing, leasing, or offering a product as a service, product life extension (PLE) where products with higher durability or integrated repair services are sold at a premium price, or design for recycling (DFR) models where products are designed for maximum recoverability and monetised through innovative partnerships (Atasu et al. 2021).

2.3 Environmental and Social Impact

All circular businesses in the Yunus Environment Hub database create environmental impact. By contributing to the transition to a CE they cover one or more of the following environmental impact areas:

- Eliminate use of virgin materials: Biomaterials, circular input, secondary raw materials
- Efficient use of (material and natural) resources: Keeping products in use for long, upcycling products, reuse, repair, repurpose, refurbish or remanufacture strategies, less resource input
- Eliminate or prevent waste: Zero waste, waste reduction e.g. plastic, electronic, food
- Closing the loop: Bringing materials and resources back in the loop, recycling, reverse logistics

Several circular businesses from the database are contributing to further environmental impact areas, either through their CE activities or through additional business activities (BMWK, n.d.), mostly:

- Climate change mitigation: Reducing CO2 emissions, clean energy, carbon capture, afforestation
- Sustainable use and protection of water and marine resources
- Pollution prevention and control: Using non-toxic materials
- Protection and restoration of biodiversity and ecosystems

In comparison to the Circular Startups which only create environmental impact, the Circular Social Businesses identified create environmental and social impact. Social impact can be created in different ways – directly as well as indirectly. For exact distinction of how social impact is created, we used three different categories:

- Primary: Through revenue-generating activities
- Secondary: In addition to revenue-generating activities, e.g. through education or advocacy
- Value chain: Along the different steps of the value chain

In the business analysis, we looked at the different ways in which each circular startup creates social impact. In addition, descriptive elements on the activities that create social impact as well as the impact target groups were included. The resulting narratives and target groups allowed to cluster the topic of social impact within circular economy into the following social impact areas:

- Strengthen local economies: Buying from local producers, employing local people, creating local quality and green jobs
- Promote sustainable lifestyles: Zero waste, slow fashion, degrowth

- Public awareness: Education, advocacy, raising awareness on the problem and the value of their solutions to drive behavioural change, promoting the adoption of circular solutions, citizen participation and engagement
- Education and training: Upskilling, reskilling, education opportunities for all parts of society
- Health, safety and wellbeing: Provide or promote healthy and nutritious food, promote an active lifestyle, stress reduction, non-toxic products, eliminate dangerous processes and practices at work or outside of work
- Women empowerment: Opportunities for girls and women
- Social inclusion:
    - Employment opportunities for vulnerable and marginalised groups
    - Affordable products and services for all parts of society
    - Accessible products and services for underserved communities and all parts of society
- Social cohesion: collaboration instead of competition, sense of belonging, engaging local communities in participatory processes, cooperative models
- Ecosystem building and collaboration: Create and enable local CE ecosystems, support other circular economy players, enabling collaboration and favourable conditions for all societal actors involved within local CE ecosystems

2.4 Social Business

According to Nobel Peace Prize Laureate Muhammad Yunus, the concept of Social Business is a form of business that balances social objectives and financial goals. It combines mechanisms of the profit-maximising business world with objectives of the non-profit sector to use economic resources to maximise impact. As such, the primary aim of a Social Business is to address a social problem with a market-based solution, by at the same time being financially self-sufficient and re-investing profits into business growth instead of paying dividends to shareholders.

For the German context and the analysis, when referring to “social business” the report takes the definition of “gemeinwohlorientierte Unternehmen” by the Federal Ministry for Economic Affairs and Climate Action (BMWK) as a basis. According to the definition, social businesses are businesses

1. for whom the social or societal, common-good-oriented goal is the meaning and purpose of their business activities, which often manifests itself in a high degree of social innovation,
2. whose profits are largely reinvested to achieve this social goal,
3. and whose organisational structure or ownership reflects this goal, as they are based on principles of employee participation or social justice (BMWK 2023).

2.5 Circular Social Business

In line with the above definitions of CE, impact and social business, the report defines the businesses that fulfil all of the following criteria as Circular Social Businesses:

- Economic dimension: Having a business model in place with the aim to generate revenues to maximise impact
- Environmental dimension: Contributing to at least one environmental impact dimension by applying one or more CE R-strategies
- Social dimension: Creating social impact that is connected to the core of the businesses, meaning primary or value chain social impact

3 The Circular Social Business Landscape in Germany

Within the Yunus Environment Hub database of 274 analysed circular businesses, 49% integrate social impact creation in their activities. However, only 39% of the overall pool of analysed circular businesses create primary or value chain social impact. These 39% therefore represent Circular Social Businesses according to the definitions applied in this report and are subject to the analysis concerning holistic impact creation presented in the following chapters.

Pursuing secondary social impact only does not suffice to be considered a Circular Social Business that is set up to create holistic impact. As per the definition, Circular Social Businesses have a common-good-oriented mission at the core of their activities – along with their environmental goals – and therefore implement them through their revenue-generating activities or along their value chain.

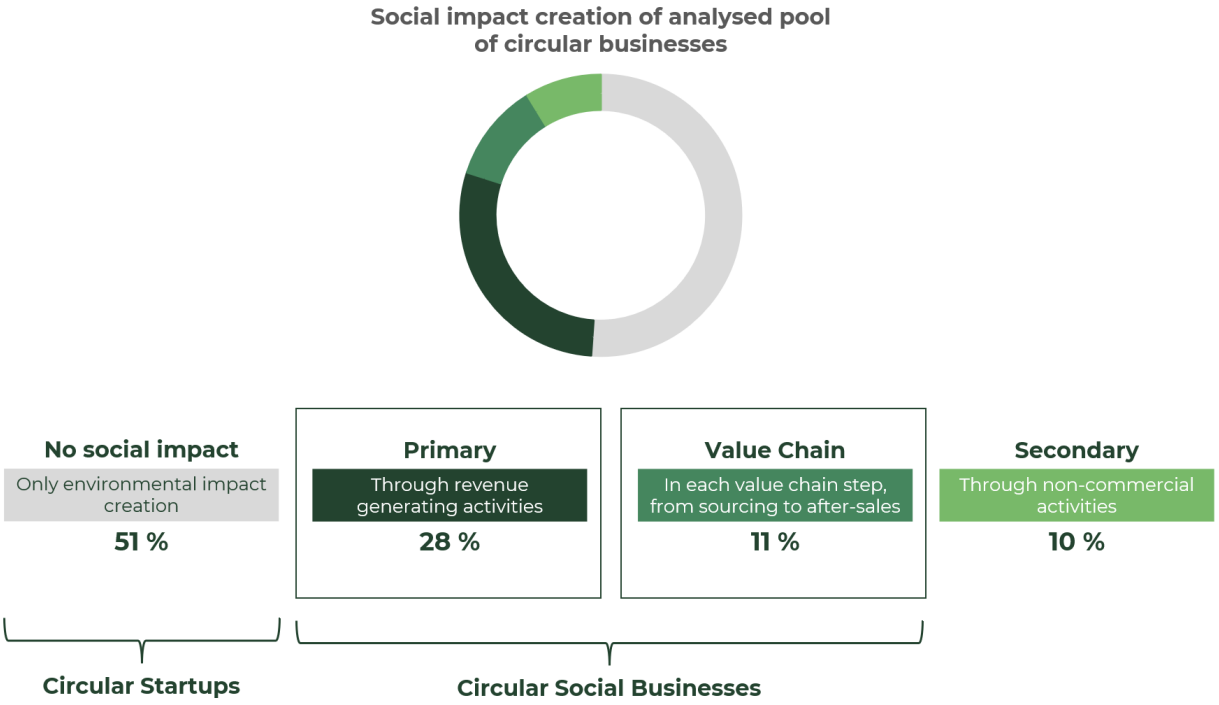

Figure 5 – Social impact creation of analysed pool of circular businesses

This sets the basis for holistic impact creation. In the dataset, we could observe though that several businesses that create strong primary or value chain social impact, combine their direct impact activities with indirect, secondary impact activities and for instance, engage in additional educational activities, strongly advocate for their impactful area of activity, or have mechanisms in place that ensure donation of parts of the revenue or profit to social causes. These secondary activities often add an important additional layer to the overall impact creation and allow the Circular Social Business not only to create holistic impact but systemic change.

3.1 Characteristics of Circular Social Businesses

To draw conclusions on the peculiarities of Circular Social Businesses and define their characteristics, this chapter specifically shows comparison results of the two identified groups – Circular Startups and Circular Social Businesses – and formulates takeaways based on the identified characteristics of the two identified

groups. Comparison areas include sector and geographic representation, as well as specifically the circular roles and applied CE strategies by both, Circular Startups and Circular Social Businesses.

In terms of main characteristics, the sector representation of the two studies groups shows a difference: Whereas Circular Startups predominantly focus on Energy (19%) and Packaging and Plastics (18%), most Circular Social Businesses are active in the Food and Agriculture (19%) and Textiles (18%) sectors. These findings can be directly correlated with the circular roles they take and the circular strategies they apply which are further outlined in Figures 7 and 8.

Regarding the geographic landscape (see Figure 6), for both groups a clear focus on Berlin, Bavaria and North Rhine-Westphalia can be observed, whereas Circular Startups – which often pursue technological solutions – are predominantly presented in Bavaria (26%), followed by Berlin (20%) and North Rhine-Westphalia (19%). Circular Social Businesses on the opposite side – which rather focus on innovations in product and revenue model design – are predominately active in Berlin (35%), followed by North Rhine-Westphalia (19%) and Bavaria (16%). For solutions of Circular Social Businesses it can also be observed that they are more often than solutions of Circular Startups tied to a local context, especially in the much-represented sector of Food and Agriculture.

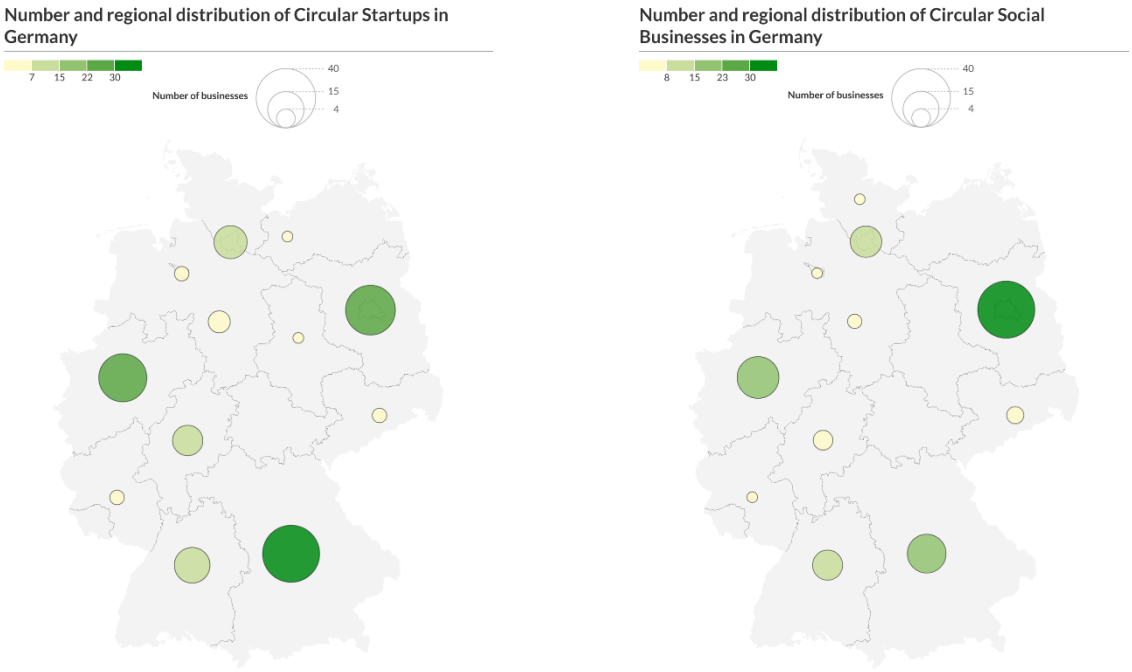

Figure 6 – Geographic representation and landscape of Circular Startups and Circular Social Businesses across Germany

When it comes to the circular roles (see Figure 7), for both groups it can be observed that half of the businesses active overall enable the CE. This means they offer products and predominately services that facilitate the uptake of CE practices and support the CE transition through product life extension and/or reverse logistics services or platforms.

In terms of the other roles – circular input and circular product – a strong difference can be observed between the two groups:

23% of Circular Startups provide circular input, i.e. supply renewable, recycled, and/or bio-based raw materials. Circular input providers are represented to a lesser extent in the group of Circular Social Businesses (6%). As an explanation, it can be observed that Circular Social Businesses engage in technological processes and solutions, which are mostly required to supply circular input, to a lesser extent.

What Circular Social Businesses within the dataset are predominately focusing on are innovations in the design phase as well as in terms of responsible manufacturing and use of products. This becomes visible in the circular role distribution: 44% of Circular Social Businesses provide a circular product, i.e. engaging in the design, production or use of circular products, versus 27% of Circular Startups.

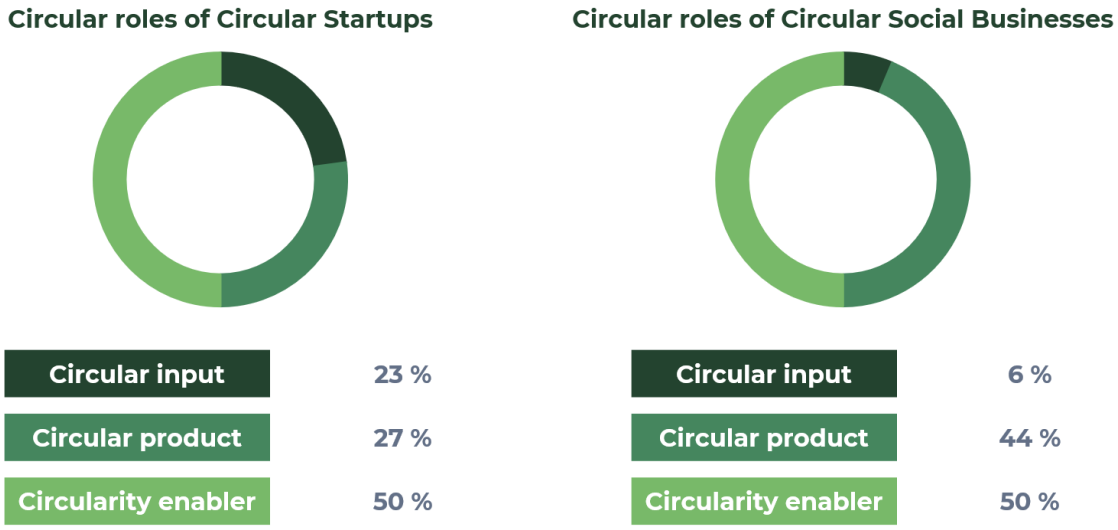

Figure 7 – Circular roles of Circular Startups compared to Circular Social Businesses

Figure 8 displays details on the R-strategies applied by Circular Startups and Circular Social Businesses.

For Circular Startups on the one hand, it can be observed that a majority (57%) focus on narrowing the loop, mostly on reducing the use of virgin and toxic materials in products, as well as promoting the use of recycled and bio-based materials. 19% focus on improving existing products, i.e. slowing the loop by using products, components and materials longer. A quarter (24%) of the products and services offered by Circular Startups apply business models that close the loop and thus aim to bring post-consumer waste back into the economic cycle through recycling or recovering. These solutions mostly require innovations in core technologies.

On the other hand, Circular Social Businesses show an even greater majority in narrowing the loop (78%) with a focus on the R-strategies with the highest level of circularity. These have the highest potential for overall long-term sustainability and include regeneration of nature by restoring natural ecosystems as well as rethinking consumption patterns and the true value of goods and services. The majority of Circular Social Businesses apply a rethink strategy (36%) as their main CE strategy, closely followed by the strategies of reduce (25%) and restore (14%). Products and services that slow (15%) or close (7%) the loop are less represented. Circular Social Businesses therefore focus on technological innovations to a lower extent, but rather on innovations in product and revenue model design.

This shows that R-strategies with higher circularity potential and already integrating responsibility from the beginning of a product lifecycle and within the design, manufacturing and use aspects of a product have a high potential for social impact creation.

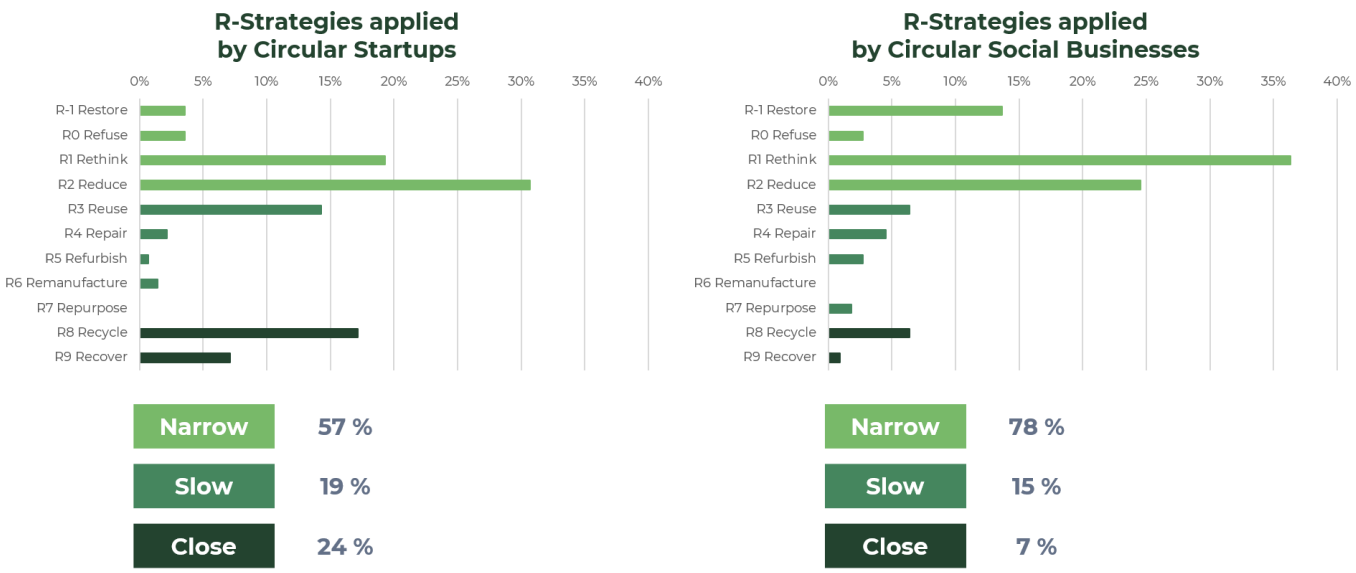

Figure 8 – R-Strategy contribution by Circular Startups compared to Circular Social Businesses

3.2 Conceptual Takeaways: Social Impact Creation of Circular Social Businesses

Looking at the landscape of Circular Social Businesses, the identified social impact areas are applied in the following ways along the different CE strategies. Figure 9 displays exemplary Circular Social Businesses applying the different R-strategies.

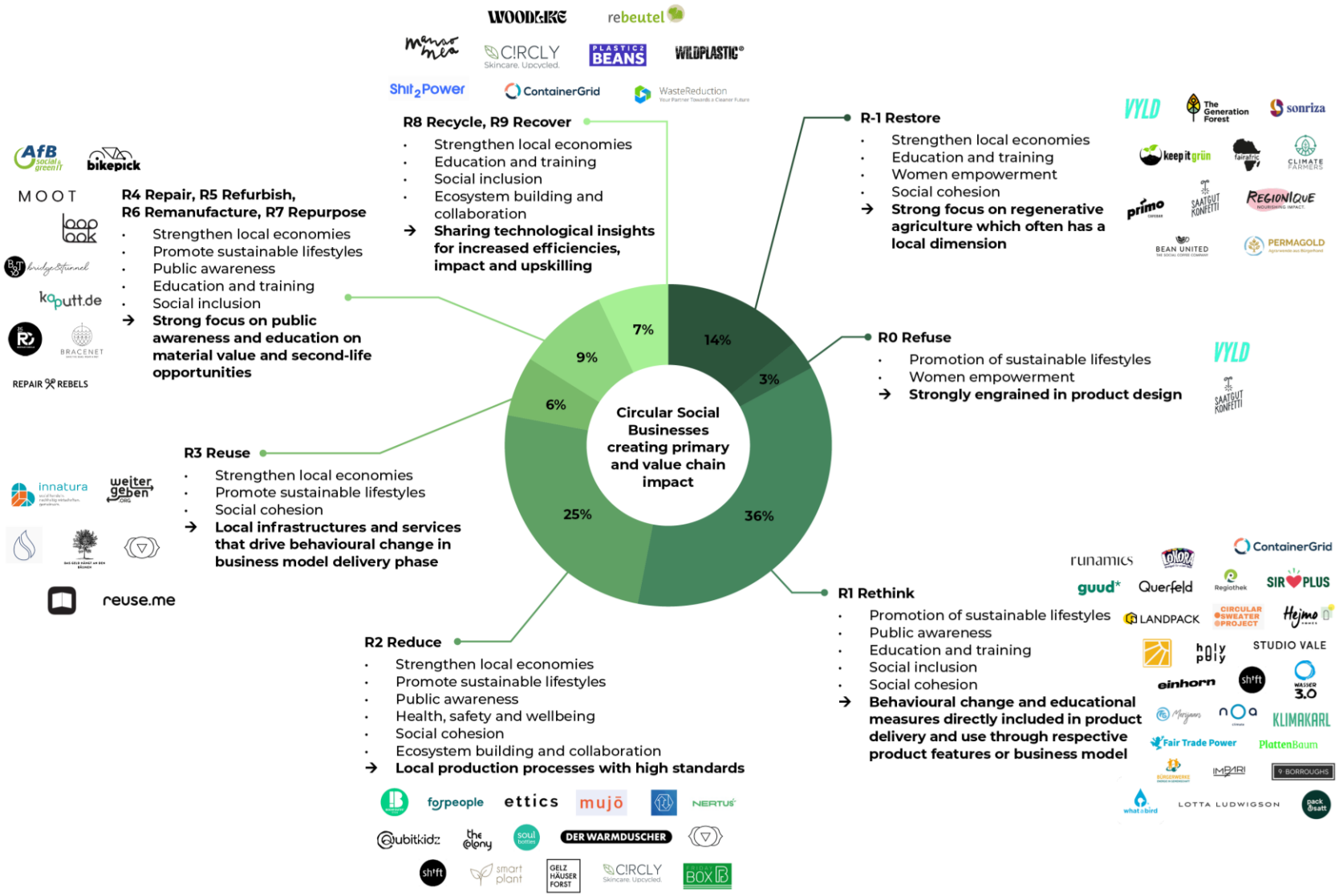

Figure 9 - Social impact creation by Circular Social Businesses in Germany

Figure 10 complements the conclusions of the above graphic with concrete examples of activities and measures Circular Social Businesses pursue to contribute to the identified impact areas:

R-Strategy	Examples of social impact creation	Takeaways from social impact creation activities
R-1 **Restore**	• **Strengthen local economies:** Entire local value chain; sourcing from local producers; creation of green and quality jobs; support of local communities • **Education and training:** Peer learning among farmers • **Women empowerment:** Sourcing from women producers; focus on topics that directly affect women • **Social cohesion:** Citizen engagement and co-creation processes	➔ Strong focus on regenerative agriculture which often has a local dimension
R0 **Refuse**	• **Promotion of sustainable lifestyles:** Educational measures integrated into the mission of the product • **Women empowerment:** Focus on topics which directly affect women	➔ Strongly engrained in product design
R1 **Rethink**	• **Promotion of sustainable lifestyles:** Behavioural change elements in product or service such as gamification or cultural change • **Public awareness:** Education on sustainable consumption; integrated educational components with product to extend product lifetime • **Education and training:** In-house programs to train diverse internal and external stakeholders • **Social inclusion:** Accessibility and affordability for different parts of the society; creation of quality jobs that ensure safety, health and gender equality; sourcing from disadvantaged groups; employing vulnerable/marginalised groups • **Social cohesion:** Cooperative models, co-creation of solutions	➔ Behavioural change and educational measures directly included in product delivery and use through respective product features or business model
R2 **Reduce**	• **Strengthen local economies:** Purchasing non-toxic inputs from local producers; own local production • **Promote sustainable lifestyles:** Offering alternatives allowing for reduced consumption and minimalistic lifestyles • **Public awareness:** Campaigns around toxin-free products • **Health, safety and wellbeing:** Improvements in occupational health and safety; stress reduction or other measures to improve the workplace • **Social cohesion:** Bringing people together that share a vision • **Ecosystem building and collaboration:** Highlighting and openly supporting other organisations (e.g. along the value chain) that apply sustainable business models and encourage mutual learning and support	➔ Local production processes with high standards
R3 **Reuse**	• **Strengthen local economies:** Building up local infrastructures and services to enable product reuse; quality local jobs • **Promote sustainable lifestyles:** Behavioural change elements in business model delivery • **Social cohesion:** Connecting people that share the same values	➔ Local infrastructures and services that drive behavioural change in business model delivery phase
R4, R5, R6, R7 **Repair, Refurbish, Remanufacture, Repurpose**	• **Strengthen local economies:** Collaborating with local providers and pooling strength of local small businesses • **Promote sustainable lifestyles:** Including and educating about the importance of repair elements as part of product/service offering • **Public awareness:** Educational campaigns and programs around material value, conflict materials and ethical supply chains and production • **Education and training:** Upskilling workforce and newly employed groups • **Social inclusion:** Employing marginalised groups; making products accessible to and affordable for all parts of society	➔ Strong focus on public awareness and education on material value and second-life opportunities
R8, R9 **Recycle, Recover**	• **Strengthen local economies:** Creating local green and quality jobs; integrating local stakeholders in business model delivery • **Education and training:** Upskilling workforce • **Social inclusion:** Employing marginalised groups in facilities • **Ecosystem building and collaboration:** Pursuing knowledge transfer to enable other stakeholders to perform recycling; cooperation on waste management and recycling	➔ Sharing technological insights for increased efficiencies, impact and upskilling

Figure 10 – Example mechanisms to create social impact in CE

3.3 Conceptual Takeaways: Systemic Impact Creation within Circular Economy

Bringing the different analysis components together, we could identify five principles within the CE that enable systemic impact creation. These are a synthesis of the most effective pathways to create environmental and social impact within CE applied by the studied Circular Social Businesses.

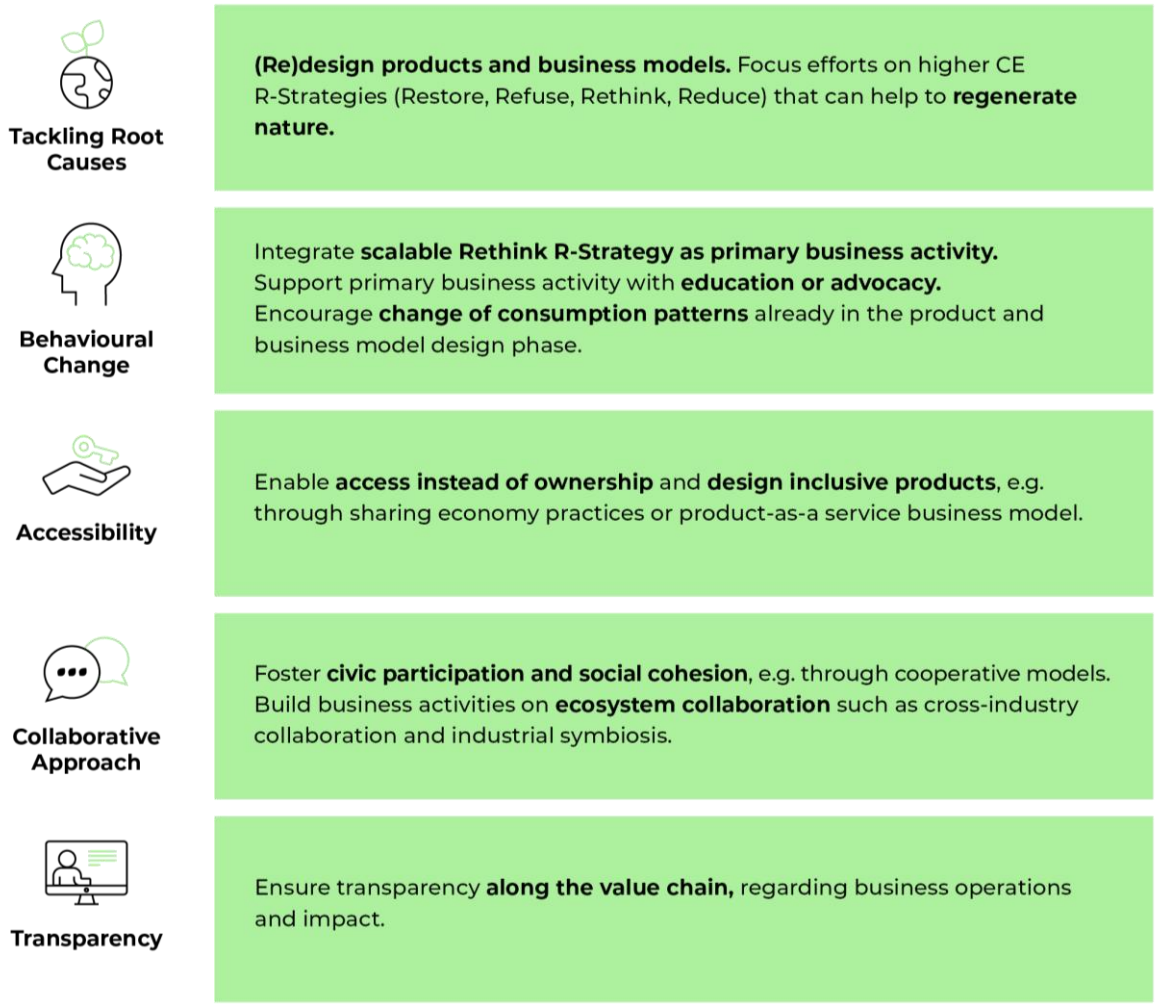

Figure 11 – Five principles to create systemic impact within CE

3.4 Examples of Circular Social Businesses in Germany and Their Impact Approaches

The following chapter displays three examples of Circular Social Businesses and dives into detail on their circularity roles and strategies, their type of impact creation with regards to environmental and social impact areas, as well as describes how they apply the systemic impact creation principles within the CE.

ContainerGrid: B2B Enterprise Software for OEM and Consumer Brands.

ContainerGrid automatises circular supply chains with orchestrated reverse logistics, recycling quality standardization and virtual material aggregation for green material procurement at an industrial scale.

ContainerGrid enables OEMs to scale customer service for end-of-life product take-back and recycling, giving them control over material sourcing while reducing price premiums on sustainable products. Their platform orchestrates OEMs, recyclers, and raw material suppliers, ensuring automated reverse logistics, recycling standardization, and cost-efficient reintegration of recycled materials into supply chains.

- **Circular role: Circularity enabler**
- **R strategies: Rethink, Reduce, Recycle**
- **Impact: Primary**

Impact areas

- Social:
    - **Social inclusion and strengthening local economies:** ContainerGrid enables the CE to drive a more equitable transition between industrialized and emerging economies. They think bottom-up about the distinct challenges of CE adoption in different regions.
    - **Ecosystem building and collaboration:** ContainerGrid can serve as a neutral IT backbone for hard-to-abate sectors, facilitating cross-industry collaboration without altering market competition.
- Environmental:
    - **Transition to a CE by reducing the use of virgin materials and closing the loop:** ContainerGrid helps corporates comply with new regulations on recycled material content in their product design by transforming their customers into suppliers of recycled material—thus closing the loop.

How does ContainerGrid create systemic change?

- **Tackle root causes:** Focus on the producer's responsibility of taking back the materials they have transformed into products and reintegrating those resources into their production cycles, decreasing the need for virgin materials and incentivizing circular product design.
- **Collaborative approach:** They facilitate cross-industry collaboration and contribute to creating circular ecosystems.
- **Behavioural change:** Change in production and procurement practices of companies: ContainerGrid enables corporates to significantly reduce recycled material procurement costs at an industrial scale by taking responsibility for products they have initially sold to their customers.

LOTTA LUDWIGSON

LOTTA LUDWIGSON: Slow luxury brand creating timeless business attire for conscious minds with the ambition to make circularity the new norm.

LOTTA LUDWIGSON specializes in creating ethical, circular, and timeless women's attire that adheres to the cradle-to-cradle design philosophy. Their approach ensures that clothing does not end up as textile waste. All garments are made to stay in use as long as possible, extending the lifecycle of each product. And if they do reach the end of their life, garments are designed to biodegrade, leaving no harmful substances behind—protecting soil, water, and ecosystems. Every piece is produced fairly in women-owned ateliers and production facilities in the EU. With every purchase, they support the Sparśa project, an initiative in Nepal dedicated to menstrual health, circular production, and female empowerment. This way, every LOTTA LUDWIGSON piece contributes to a more just and sustainable future.

- **Circular role: Circular product (Design, production, use)**
- **R strategies: Rethink, Reduce**
- **Impact: Primary, Secondary and Value Chain**

Impact areas

- Social:
    - **Women empowerment:** Empowering women to wear their values and make a positive environmental impact. The symbolism of suits: suits represent empowerment since women were not allowed to wear trousers let alone suits in the past. Furthermore, their collections are crafted in a women-owned atelier in the EU, ensuring fair wages and safe working conditions, and supporting female entrepreneurship in fashion. **Secondary impact:** Each order supports the Sparśa project, an initiative in Nepal dedicated to menstrual health, circular production, and female empowerment. LOTTA LUDWIGSON donates approximately 1% of their sales to Sparśa.
    - **Promote sustainable lifestyles:** LOTTA LUDWIGSON is a slow fashion brand. Their suits are designed to last a lifetime. By designing beyond trends, they create high-quality pieces meant to be worn for years, reducing waste, and shifting consumption from disposable to mindful.
    - **Strengthen local economies:** Every piece is produced fairly within the EU.
    - **Public awareness:** Communication around sustainability, radical transparency, responsible consumption, slow fashion and degrowth.
- Environmental:
    - **Transition to a CE by eliminating waste and efficient use of resources:** Suits are made with biodegradable materials. They have a small production and limited collections to avoid waste and uphold uncompromising sustainability standards. Packaging components are designed with a minimalist and zero-waste approach in mind, and only use materials that are biodegradable, compostable and/or recyclable. Furthermore, they are planning to implement a take-back and resale program to extend the lifespan of their products.
    - **Protection and restoration of biodiversity and ecosystems:** Design for the biological cycle: create long-lasting clothing that will never turn into waste but into a nutrient for soil once it is no longer used. Biomimicry: In nature, there is no such thing as waste, as everything that is no longer needed becomes a valuable resource for something else.

How does LOTTA LUDWIGSON create systemic change?

- **Tackling root causes:** Follow cradle-to-cradle design principles, eliminating waste by design.
- **Behavioural change:** Promoting a shift towards more conscious, responsible consumption. Advocate for slow fashion and degrowth: Making conscious purchasing decisions when in need of clothing. Emphasizing that the most sustainable consumption is the one that does not happen in the first place.
- **Transparency:** Materials, suppliers and pricing transparency (price philosophy, the factors that influence the prices of their products and a detailed breakdown of costs for each product).

VYLD

Vyld: Healthy period products made from seaweed. Radically sustainable, fair and marine degradable.

Vyld promotes menstrual health while saving the oceans with their innovative, sustainable, and healthy period products made from seaweed, one of the oldest and most sustainable plants in the world. Seaweed can grow 10 times faster than land plants without fertilizer, pesticides, or fresh water, and contributes to ocean habitat restoration and de-acidification. It is bio- and marine degradable and it is nature's most powerful carbon sequestration tool.

- **Circular role: Circular product (design, production, use)**
- **R strategies: Restore, Refuse, Reduce**
- **Impact creation: Primary and Secondary**

Impact areas

- Social:
  - **Women empowerment:** empower women and reframe the social stigma associated with periods.
  - **Health and wellbeing:** Kelpon is the first tampon worldwide to be certified as microbiome-friendly. This means it respects the natural balance of the vaginal microbiome and its environment, significantly reducing the risk of irritation or infection. Kelpon is one of the few tampons worldwide to achieve certified non-toxic product safety.
  - **Ecosystem building and collaboration:** Partnered with another profit-for-purpose business to tackle the problem of disposable diapers through the diaper forest. Vyld is developing a compostable diaper insert made of seaweed, without any plastic or superabsorbers. The diapers will be composted by their partner and a small forest will be planted from the fertilizer.
- Environmental:
  - **Transition to a CE by preventing waste**: Kelpon is bio- and marine degradable.
  - **Sustainable use and protection of water and marine resources**: Each Kelpon is proven to save up to 30L of water.
  - **Climate change mitigation:** Seaweed is nature's most powerful carbon sequestration tool. Their VYMPACT framework quantifies environmental benefits per unit—e.g. 2880L of drinking water saved per employee per year—helping companies offset traditional negative environmental externalities with direct certified positive action.
  - **Protection and restoration of biodiversity and ecosystems:** Seaweed cultivation removes excess CO_2 from seawater, stabilizing pH levels and protecting marine ecosystems, including coral reefs.

How does Vyld create systemic change?

- **Tackling root causes:** Focus on redesigning tampons, with environmentally sustainable and healthy materials as well as rethinking business models.
- **Behavioural change:** Education and advocacy to break the stigma around periods and overcome period poverty.
- **Collaborative approach:** Developed a funding mechanism adequate for “profit-for-purpose” businesses and openly share about it for other businesses to benefit from their experience and knowledge. Through their VYMPACT model, Vyld distributes tampons free of charge via B2B partnerships and public settings ensuring access to sustainable menstrual health for a broader group of menstruators and addressing period poverty in a systemic way.
- **Accessibility:** Offer freely accessible Kelpons through their B2B business model: Companies buy their products so they can offer them for free to the employees of those companies as well as donate through VYMPACT. Each VYMPACT unit directly supports 12 sustainable menstrual cycles and contributes to making healthy menstrual care accessible to all regardless of socioeconomic background.

4 Current State to Support and Scale Circular Social Businesses in Germany

Up to this point, we have demonstrated that Germany hosts a large number of startups with circular business models. Some of these deliberately pursue social goals alongside their commercial activities – these are the Circular Social Businesses. They genuinely embody the fundamental concepts of holistic sustainability and the CE. Their aim is to combine economic success, positive environmental outcomes, and beneficial social impacts, thus contributing comprehensively to the resilience and future viability of society as well as to systemic transformation.

Politically and socially, the CE is increasingly perceived as a comprehensive economic system. Therefore, it is no surprise that the transition toward a CE is often associated not only with ecological and economic goals but also with expectations regarding social sustainability. In its new Circular Economy Action Plan (CEAP) from 2020, the European Commission outlines that the CE contributes, for example, to improved quality of life, enhanced knowledge and skills, and innovative jobs. No individual, region, or country should be left behind during the transition to a CE (European Commission 2020b).

However, the CE discourse in Germany still clearly focuses on redesigning production and service systems, the economic impacts of structural change, and the positive environmental effects of the transformation.

This is not only a problem because political strategies and funding programs risk sidelining Circular Social Businesses. It is also problematic because it prevents the development of broad societal support for the transition to a CE. Yet societal support is crucial for this transformation for several reasons: Widespread backing would encourage people to change their behaviours, habits and decision-making preferences – for instance, by purchasing reusable products, having items repaired, or bringing recyclable materials and products to the appropriate collection points.

Only greater public awareness of the importance of a sustainable CE can truly drive demand for sustainable, long-lasting products in line with the principles of the CE, or strengthen the trend toward sharing, renting, or leasing models. In turn, this can motivate businesses to embrace the transition and, for example, invest in and innovate regarding the development of circular products and services.

4.1 National Circular Economy Strategy

The most significant political document for the CE in Germany at present is the National Circular Economy Strategy (Nationale Kreislaufwirtschaftsstrategie, NKWS), which was adopted by the previous federal government in December 2024 (BMUV, 2024) and, according to the coalition agreement, is also set to be implemented by the government taking office in 2025 (CDU, CSU, SPD 2025). The NKWS may have the potential to strengthen the social dimension of the CE. However, the opportunity was missed to establish public awareness and dialogue with the broader society as one of the core areas of action from the outset.

The defined fields of action focus exclusively on technological aspects (such as "circular production processes" and "plastics") or administrative and policy-oriented measures (such as "public procurement"). Social issues are mainly discussed in the context of managing the consequences of transformation: changes in the labour market, the social compatibility of consumption, and the safeguarding of fair conditions in international supply chains. These dimensions are treated reactively, with the goal of minimizing social risks and preventing the exacerbation of existing inequalities.

Accordingly, the NKWS outlines numerous flanking measures: It calls for social policy support to accompany structural change, targeted qualification initiatives for emerging professions, and efforts to ensure socially

equitable public procurement and consumption. On the global level, the strategy emphasizes support for partner countries in the Global South to build circular economies – including the creation of future-oriented employment.

However, what stands out is that the NKWS approaches the social dimension mainly as mitigation. The active social potential of the CE – such as greater participation, democratic innovation, social inclusion, social cohesion, or a focus on the common good – is only marginally addressed. Concepts like sharing, repair culture, or second-hand use are mentioned but not systematically linked to social goals like access equity or empowerment.

This tendency is also evident in the treatment of start-ups: They are repeatedly identified as key drivers of technological innovation, especially in recycling, digitalization, and circular product design. Their role as potential agents of social change – for example, through participatory or inclusive business models – is not discussed.

In summary, the social dimension of the CE is not ignored in the NKWS, but it is clearly secondary. It becomes relevant mainly when negative effects need to be cushioned – not as an instrument to tackle root causes and as an integral part of a society-driven transformation. In doing so, the strategy misses a key opportunity of the CE: to act not only as an ecological and economic force for change but also as a socially transformative one.

4.2 Public Funding Instruments for the Circular Economy

In Germany and at the EU level, several public funding programmes are currently available to support companies in their transition to the CE. These programmes primarily promote technological innovation, resource-efficient processes, and digital solutions. Relevant programmes include the initiative “KMU-innovativ: Ressourceneffizienz und Kreislaufwirtschaft” ("SME-Innovative: Resource Efficiency and Circular Economy") of the Federal Ministry of Education and Research (BMBF), the “GreenTech Innovation Competition” launched by the Federal Ministry for Economic Affairs and Climate Action (BMWK), the North Rhine-Westphalian state programmes “Ressource.NRW” and “Cooperation Clusters for Circular Economy”, and the European CE funding instrument “Up2Circ”.

The programmes provide substantial financial resources. The “KMU-innovativ programme” is part of a broader funding scheme with an overall budget of approximately two billion euros. The “GreenTech Innovation Competition” offers 44 million euros, “Ressource.NRW” is endowed with around 180 million euros under the EU’s European Regional Development Fund (ERDF) framework, “Up2Circ” supports up to 40 projects with a total of around one million euros, and the “Cooperation Clusters for Circular Economy” programme provides over eight million euros.

All programmes pursue clearly ecological and technological goals. They fund digital applications, resource-efficient facilities, and innovative business models – always with a focus on climate protection, resource use, or economic viability. Social aspects, such as equitable participation, high-quality employment, or societal change driven by circular business models, play no visible role. Even where overarching programme frameworks – such as ERDF – include social objectives, these are not reflected in the concrete funding criteria. The same is true for programmes based on partnerships between companies and research institutions, such as the cooperation call in North Rhine-Westphalia: the potential of CE to foster social innovation remains largely overlooked.

Startups are generally eligible to apply in all five programmes. In “KMU-innovativ”, the “GreenTech Innovation Competition”, and “Up2Circ”, they are even explicitly addressed as a target group. Startups are also eligible under “Ressource.NRW” and the “Cooperation Clusters for Circular Economy” programme, although

they are not specifically highlighted. However, Social Businesses, including Circular Social Businesses, are not structurally recognised. There are no thematic priorities that reflect social innovation goals, nor are there selection criteria that acknowledge their specific role in the circular transition.

In sum, current public CE funding practice in Germany and the EU predominantly interprets CE as a technology- and resource-driven innovation pathway. Circular Social Businesses remain a blind spot in current funding policy. The lack of specific criteria or priorities for Circular Social Businesses—such as impact measurement, orientation toward the common good, and inclusion—represents a structural deficit in current policy and funding frameworks. The potential of CE to also enable or strengthen social transformation remains largely untapped.

5 Recommendations to Support and Scale Circular Social Businesses in Germany

5.1 Recommendations to Circular Businesses

- **Integrate principles for systemic impact creation into the business model and operations:** To contribute to a truly holistic CE transformation, at least three out of five principles of systemic impact creation need to be embedded in the business model and the way the business is operating. These include tackling root causes, driving behavioural change, enabling accessibility, fostering collaborative approaches, and ensuring transparency.
- **Establish and continuously work on an environmental and social impact mission directly linked to business activities:** To be able to integrate the systemic impact principles at the core of the business model and operations, an environmental and social impact mission is detrimental. This does not only concern an initial impact mission, but core building blocks of the business that are evolving over time with the main aim to maximise impact. It is therefore needed for social businesses to continuously work on their mission, in order to risk missing a “tipping point” where they switch from a mission-driven to a profit-driven approach.
- **Proactively communicate impact and ensure authenticity in communication:** Besides having a clear social and environmental impact mission in place and integrating systemic impact principles, proactive and authentic communication around the impact they are creating, including the challenges faced is key, amongst other to establish and maintain relationships with partners that enable business growth and attract funding from investors and funders oriented toward the common good.

5.2 Recommendations to Investors and Funders

- **Provide investment mechanisms that are not solely suited for exit-oriented startups:** According to the Startup Verband (2024), 19.2% of startups in Germany want to bootstrap and build as well as further develop their business without capital from external investors. As Social Businesses are primarily oriented towards achieving their social and environmental impact mission and prioritise maximising their impact through the profits they generate, non-exited-oriented funding mechanisms are required to grow and scale their business activities and realise their mission.
- **Include social impact creation elements in investment criteria along with environmental and economic elements:** To create holistic sustainability and enable systemic change, all three dimensions – economic, environmental and social – need to be integrated at the core of resilient business models. As investment criteria, also by impact investors, often focus on economic and environmental impact categories only, an integration of the social impact dimension in investment criteria creates

an opportunity for social businesses to grow and for investors to yield long-lasting impact alongside financial return.

- **Include local and regional focus in funding programmes:** Topics covered and business models applied by Circular Social Businesses often have a regional or even local focus or are suited to be applied in contexts and geographic regions outside of bigger cities and known startup hubs. These local solutions often might not be able to be scaled heavily on-site but provide a perfect basis for the replicability of the business model in other setups, and hence have an impact on further local communities. A local or regional focus as part of wider funding programmes, or specific funding programmes with a local or regional focus would therefore be beneficial to grow and scale impact through CE.

5.3 Recommendations to Policymakers

- **Recognize the social dimension as a strategic pillar in the NKWS:** The social potential of CE should be established as a distinct strategic field within the NKWS. This includes setting measurable goals, indicators, and support instruments that explicitly address social innovation, inclusion, and the common good. As the new federal government is expected to continue and possibly revise the NKWS, this presents an opportunity to anchor the social dimension within the strategy. Doing so would enhance societal resilience and support a more holistic, system-wide transformation.
- **Expand public funding criteria to include social innovation and societal impact:** Public funding instruments at both the national and EU levels should incorporate criteria that explicitly reward social innovation and societal impact, such as inclusive business models, empowerment, equity of access, and participatory approaches. Currently, funding programs are heavily focused on technological and resource-related innovations, leaving Circular Social Businesses under-supported. Adjusting eligibility and evaluation criteria would make social contributions more visible and financially viable.
- **Prioritize circularity and social impact criteria in public procurement:** Public procurement should be leveraged more systematically as a driver of both circular innovation and social impact. To this end, circularity and social value creation must become core criteria in tendering and award processes at all levels of government. This includes giving preference to products that are durable, repairable and reusable and services that are socially inclusive. Embedding these criteria into procurement law and practice would create stable demand for Circular Social Businesses and set strong market incentives for socially and environmentally sustainable innovation.

6 Conclusion and Outlook

Impact-driven solutions are gaining traction and social businesses are a growing force in reshaping how we define value, participation and responsibility in economic systems. Therefore, business models based on a mission to create holistic impact are not just a response to environmental and social challenges, but more and more serve as a competitive advantage. Combined with factors such as shifting customer expectations and evolving regulations within the CE, Circular Social Businesses are uniquely positioned to foster systemic change and hence play a leading role in the circular transition in Germany - redefining how we think, design, produce, consume, and create value.

Systemic change in CE can be created through different means. Our analysis of the current landscape of circular businesses in Germany specifically studying activities and measures applied by Circular Social Businesses results in five distinct principles: Tackling root causes, driving behavioural change, enabling accessibility, fostering collaborative approaches, and ensuring transparency.

This report contributes with a holistic taxonomy on the topics of CE, social business, as well as social and environmental impact. Furthermore, it provides conceptual takeaways on defining the way forward for systemic impact creation in CE.

Besides theoretical takeaways, the report shows concrete examples and pathways of including the social component and creating systemic change within CE business activities. The current landscape alongside the recommendations drawn from the status quo analysis provides practical input for Circular Startups and Circular Social Businesses, as well as their enabling environment, first and foremost funders, investors and policymakers.

The report also shows that systemic change cannot be generated by innovative and socially responsible business ideas alone. Driving systemic change requires collective action: A wide range of actors and all players in the CE need to collaborate and do their share in paving the way for a truly holistic CE transformation in Germany.

List of Graphics

List of Abbreviations

BDI:	Bundesverband der Deutschen Industrie – The Federation of German Industries
BMBF:	Bundesministerium für Bildung und Forschung – Federal Ministry of Education and Research
BMUV:	Bundesministerium für Umwelt, Naturschutz, nukleare Sicherheit und Verbraucher-schutz – Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection
BMWK:	Bundesministerium für Wirtschaft und Klimaschutz – Federal Ministry for Economic Affairs and Climate Action
CE:	Circular Economy
NKWS:	Nationale Kreislaufwirtschaftsstrategie – National Circular Economy Strategy

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BMUV Bundesministerium für Umwelt, Naturschutz, nukleare Sicherheit und Verbraucherschutz (2024): *Nationale Kreislaufwirtschaftsstrategie (NKWS).*

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Zusammenfassung

Bei Debatten um die Circular Economy (CE) stehen meist ökologische und ökonomische Fragen im Mittelpunkt. Die vorliegende Studie betont demgegenüber die soziale Komponente. Diese wird oft unterschätzt, dabei ist sie ein entscheidender Hebel für nachhaltige Veränderungen. Die Studie untersucht, was Circular Social Businesses ausmacht – Unternehmen, die zirkuläre Wertschöpfungsstrategien eng mit einer gemeinwohlorientierten Mission verbinden – und zeigt Wege für eine ganzheitlich nachhaltige und inklusive CE in Deutschland auf.

Deutschlands kürzlich verabschiedete Nationale Kreislaufwirtschaftsstrategie (NKWS) verdeutlicht den wachsenden politischen Willen für eine Transformation hin zu einer umfassenden CE. Allerdings konzentrieren sich Politik und Förderprogramme derzeit noch überwiegend auf technologische und ökologische Innovationen. Unternehmen, die neben zirkulären auch gemeinwohlorientierte Lösungen anbieten – sogenannte Circular Social Businesses – erhalten bisher wenig Aufmerksamkeit, Anerkennung und Unterstützung, obwohl sie große Potenziale für wirtschaftliche, ökologische und soziale Effekte bieten.

Von 274 für diese Studie untersuchten zirkulären Startups in Deutschland, können 39 Prozent als Circular Social Businesses bezeichnet werden. Sie erfüllen drei Kriterien: (1) ein tragfähiges Geschäftsmodell, (2) einen klaren Umweltbeitrag durch zirkuläre Strategien wie „Reduzieren“, „Wiederverwenden“ und „Regenerieren“, sowie (3) eine soziale Wirklogik, die fest im Kerngeschäft verankert ist. Diese Unternehmen sind in Branchen wie Lebensmittel, Textilien und Verpackungen aktiv und oft lokal verwurzelt.

Die Analyse zeigt, dass Circular Social Businesses stärker als klassische zirkuläre Unternehmen auf innovative Strategien wie „Umdenken“ und „Regenerieren“ setzen. Solche Strategien gehen über reines Recycling oder Effizienzsteigerungen hinaus und verändern grundlegend unser Art zu produzieren und zu konsumieren. Ihre Lösungen fördern soziale Integration, Zusammenhalt, lokale Wertschöpfung, Kooperationen, Bildungsangebote und gesellschaftliches Empowerment. Circular Social Businesses reduzieren somit nicht nur Ressourcenverbrauch, sondern stärken gleichzeitig Gemeinschaften und ermöglichen gesellschaftliche Teilhabe an der CE.

Circular Social Businesses zeigen, dass Kreislaufwirtschaft weit mehr sein kann als ein Thema, bei dem es um technologische Lösungen geht – die CE kann auch einen ganzheitlicheren Bezug auf die Bedürfnisse von Menschen und der Gesellschaft insgesamt mit sich bringen. Um das Potenzial der CE vollständig zu nutzen, sollte soziale Wirkung nicht bloß Nebenprodukt, sondern zentraler Bestandteil von Unternehmensstrategien und auch politischen Strategien sein. Indem Circular Social Businesses unterstützt werden, kann der Übergang zu einer Kreislaufwirtschaft beschleunigt werden, die sowohl ökologisch nachhaltig als auch gesellschaftlich inklusiv ist und umfassende Veränderungen anstößt.

Empfehlungen:

- Für Unternehmen: Mindestens drei der fünf Prinzipien für systemischem Wandel integrieren – Ursachen angehen, Verhalten verändern, Zugang ermöglichen, Zusammenarbeit fördern und Transparenz praktizieren – und Wachstum konsequent an sozialen und ökologischen Zielen ausrichten.
- Für Förderer und Investoren: Fördermodelle erweitern und dabei stärker soziale Wirkung und lokale Relevanz berücksichtigen. Die Skalierung erfolgreicher lokaler Lösungen mit breitem Nutzen gezielt fördern.
- Für politische Entscheidungsträger: Soziale und gemeinwohlorientierte Aspekte in Kreislaufwirtschaftsstrategien wie der NKWS prominent verankern. Förderprogramme gezielt auf Geschäftsmodelle ausrichten, die auch die soziale Dimension mittenken, und öffentliche

Beschaffung nutzen, um die Nachfrage nach nachhaltigen und sozial inklusiven Lösungen zu stärken.

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