The Relationship between Corporate Governance and the Implementation of Circular Economy Strategies among Listed Firms

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Abstract

Adopting the circular economy (CE) has drawn a lot of interest from businesses, governments, and international organisations to mitigates the effects of climate risks. The adoption of CE practices in the business sector is mostly driven by the negative effects of climate change. However, because to the requirement to adhere to international climate change treaties, corporate governance requirements, and environmental legislation, corporations are now required to embrace CE practices. Likewise, the triple bottom line planet pillar mandates companies to operate in an environmentally sustainable manner to circumvent and mitigate the adverse effects of climate change. The study aims to examine the nexus between corporate governance (CG) and the circular economy (CE) adoption strategies in publicly listed manufacturing companies in South Africa. Using a multivariate regression analysis model, panel data spanning from 2015 to 2024 were collected. Literature on the nexus between CG and CE is fragmented and limited, and the focus area is a relatively unexplored topic in the CE literature. According to our research, the adoption of CE strategies is directly impacted by the existence of a Stakeholder Relations Committee (SRC) and a Corporate Social Responsibility Committee (CSRC). On the other hand, the existence of an Audit and Risk Committee (ARC) has no bearing on CE procedures; instead, it facilitates CE tactics in other ways. All things considered, this study offers managers and policymakers insightful information since it demonstrates that CG methods can be used to encourage the adoption of CE business models, helping to achieve climate risk mitigation goals.

Keywords

Climate change, circular economy, corporate governance, risk.