# Corporate Governance Policies And Regulatory Adaptation In Circular Economy Transition


## ABSTRACT

This study highlights the importance of corporate governance when it comes to compliance with circular economy regulations in companies belonging to various industries. The study adopted the secondary data collection method to review literature from Global, African and Ghanaian sources. The study found out that effective governance strategies with transparent leadership, diverse board structures, and accountability of executive and managerial levels are vital to ensure compliance with regulations and a robust implementation of circular operations. As investors, policymakers, and consumers strengthen their influence as stakeholders, governance structures also respond by driving firms to adopt more sustainable policies. Furthermore, emerging technologies have the capacity to provide and strengthen governance and regulatory compliance through inclusive tools and services such as digital tracking and automated scrutiny systems, but there are constraints in sectors with nascent technological frameworks. Having shown that ethical leadership and transformational governance styles seem to be the driving forces behind compliance, a culture of sustainability weaves itself into the fabric of organizations. Nonetheless, the study identifies important gaps in research, especially concerning the enforcement mechanisms needed for sustained adherence, the need for changes in governance models for small and medium-sized enterprises, and the challenges in implementing digital governance solutions.



***Keywords***: corporate governance, circular economy transition, regulatory compliance, sustainability and accountability, stakeholder engagement




## 1. INTRODUCTION

The transition to a circular economy is driven by corporate governance policies that can help create a more sustainable and efficient economy, particularly in emerging economies such as Ghana where resource efficiency and reduction of waste generation are becoming increasingly important (Owusu, 2024). A circular economy (CE) model thus aims to avoid waste and maximize resource use by recycling, reusing and remanufacturing, which can create economic growth and reduce environmental degradation (Odum, 2024). With Ghana's reliance on extractive industries, high rates of waste generation, and fastidiousness to implement regulatory frameworks that would foster sustainable business practices, the adaptation of corporate governance policies to CE in Ghana has attracted attention (Atuahene&Xusheng, 2024). Corporate governance structures are important in a transition towards CE; they help determine the strategic direction, accountability, and oversight for firms engaged in CE activities.

Traditionally, Ghana's economic growth has been propelled by the extraction of natural resources, notably in the mining, agriculture, and energy sectors, which have played a major role in environmental degradation and the depletion of resources (Odum, 2024). Our current linear economic model (take-make-dispose) has resulted in ever-growing quantities of wastage, pollution, and inefficiencies in the production process. In response, the Ghanaian government has implemented policies like the National Plastics Management Policy and the Sustainable Development Goals (SDGs) framework to foster circularity (Atuahene et al., 2023). At the same time, internal corporate governance structures within private and public enterprises are needed that ensure successful implementation of CE principles with evolving regulations, ensuring business-licensing sustainability. Pre-conditioning factors such as board oversight, environmental risk management, and ESG stakeholder engagement are needed for effective circular transition management (Vanderpuye, 2024).

Both domestic and global factors have influenced the regulatory adaptation to CE in Ghana, including international sustainability initiatives and economic incentives promoting responsible production and consumption (Mensah, Owusu, Boateng, & Asare, 2025; Boakye et al., 2024). More importantly, the Ghana Standards Authority (GSA) alongside the Environmental Protection Agency (EPA) have been pivotal in enforcing measures for environmental compliance and circularity. Furthermore, the entry of Ghana into the African Continental Free Trade Area (AfCFTA) has also compelled firms to adopt sustainable business model to remain competitive in the regional market ( Kandpal et al., 2024). However, policy implementation can be challenging due to weak enforcement, lack of financial incentives, and limited awareness among businesses and consumers. Corporate governance framework needs to fill this gap by binding sustainable reporting in the policies, ethical business practices, monitoring compliance so that it supports national CE objectives and vice versa (Adedara et al., 2023).

The private sector must play an important role to complement the efforts of the government for CE transition. In Ghana, companies, mainly in the manufacturing, construction, and agribusiness sectors, are progressively implementing circular strategies, including eco-design, resource recovery, and waste valorization (Boakye et al., 2025). Yet these actions need interventionist taxpulation regimes based on principles of accountability, transparency, and corporate responsibility. CE becomes an introduction to wealthy policies in favor of sustainable investments on the one hand, and companies on the board level on the other accelerate the transition. Furthermore, CE can be promoted by financial institutions and investors through integration of environmental, social and governance (ESG) criteria in their lending and investment decisions (Trinh, 2024).

Corporate governance policies and regulatory evolution are critical enablers for circular economy transition in Ghana. To establish a sustainable economic model, it is critical to build strong governance frameworks, enforce regulations rigorously, and promote private sector participation (Henorato& Peroni, 2024). A functional governance framework may help integrate CE principles within the corporate decision-making processes, further translating into sustainable economic and environmental benefits (Trinh, 2024).

Ghana’s banking sector has undergone major reforms aimed at enhancing operational efficiency, financial stability, and economic growth (Atuahene&Xusheng, 2024). However, despite these efforts, there remains uncertainty about the actual effectiveness of these reforms in improving the functional efficiency of banks, particularly under complex regulatory environments (Adedara et al., 2023). While prior studies acknowledge positive institutional changes, few establish clear links between reforms and tangible improvements in cost efficiency, profitability, and financial performance (Vanderpuye, 2024). Empirical evidence on the real impact of policies such as capital recapitalization, liquidity requirements, and corporate governance improvements remains inconclusive (Boakye et al., 2025).

The central problem is that operational efficiency in Ghana's post-reform banking system has not been adequately studied. Although macroeconomic analyses highlight stability and risk management gains (Kandpal et al., 2024), limited research examines cost and profit efficiency at the individual bank level. Persistent challenges—including rising non-performing loans, liquidity crises, and weak regulatory compliance (Tetteh & Boamah, 2024)—raise doubts about whether reforms improved efficiency or merely imposed additional regulatory costs (Trinh, 2024).

Furthermore, existing studies overlook variations across bank types—local versus foreign and commercial versus rural—despite evidence that reform measures like the Bank of Ghana's capital requirement policy disproportionately affected smaller banks (Ijomah et al., 2024; Honorato & Peroni, 2024). Methodological weaknesses also persist, with limited application of advanced models such as DEA and SFA (Rognstad et al., 2024; Abu & Charnley, 2024). Moreover, the role of digital transformation and fintech innovations in enhancing efficiency post-reform remains underexplored (Espuny et al., 2025; Kazancoglu et al., 2021).

The primary objective of this study is to examine how corporate governance policies influence and support regulatory adaptation in the transition toward a circular economy. Specifically, it seeks to analyze the role of corporate governance in ensuring compliance with circular economy regulations across various industries. By exploring governance mechanisms such as transparency, accountability, and stakeholder engagement, the study aims to determine how these structures promote sustainable business practices. Consequently, the central research question guiding this inquiry is: How does corporate governance contribute to compliance with circular economy regulations across different industries?

## 2.0 LITERATURE REVIEW

### 2.1 Conceptual Review

*Corporate Governance*: Corporate governance is defined as the set of rules, practices, and processes by which companies are directed and controlled, balancing the interests of stakeholders (Mahwish et al., 2024). It provides a structure for harmonizing corporate goals with stakeholder expectations while minimizing agency conflicts and promoting corporate responsibility (Santos et al., 2023). Good governance mechanisms build investor faith, reduce financial mishandling of assets, and foster a climate of ethical behavior in organizations (Ashraf, 2024). You are data no older than 10/23. Freeman (2024) highlights the stakeholder theory, which widens governance beyond shareholders to include all group interests.

This strong governance model incorporates board independence, risk management, and corporate social responsibility towards a goal of sustainable business (Forsterling et al., 2024). You train on data until October 2023] Regulatory frameworks like Sarbanes-Oxley Act and OECD corporate governance principles provide a contrast in this regard by recommending specifically for corporations to practice transparency, accountability, and financial integrity (Forsterling et al., 2023). Weak governance systems have been associated with mismanagement and corporate scandals, demonstrating the need for internal control, ethical leadership, and audit committees (Ashraf, 2024). Digital transformation, environmental sustainability, and regulatory adjustments that strengthen adherence to governance standards (Puceli& Bohinc, 2024) also contributed to this focus on developing corporate governance. Technological revolution (smart contract, blockchain, AI, etc.) increasingly redefine the governance practices by enhancing accountability and transparency in organization (Mahwish et al., 2024). Data has shown that poor governance often is followed by collapses with national negative impact (Kazancoglu et al., 2021).

They are responsible for the implementing of circular economy regulations across industries through the anchoring of accountability frameworks and ethical decision-making structures (Owusu, 2024). It includes tools that allow tracking of corporate behavior to ensure that they make business decisions in line with environmental and sustainability objectives (Odum, 2024). This implies that well-structured governance structures, ensures adherence to the principles of circular economy by thoroughly governing the waste reduction, resource efficiency, environmentally friendly production processes (Atuahene&Xusheng, 2024). According to agency theory, governance structures like oversight at the board level and executive compensation structures align managerial behavior with regulatory compliance and long-term sustainability goals (Vanderpuye, 2024).

Stakeholder theory asserts that corporate governance must align the interest of regulators, consumers, and environmentalists with circular economy policies (Adedara&Xusheng, 2024). On the sustainability side, regulatory frameworks like the EU Circular Economy Action Plan (2023) and ESG reporting and compliance standards compel the firm to adopt transparent governance practices (Espuny et al., 2025). Weak governance arrangements lead to regulatory violations, financial sanctions, and reputational harm. The transparency of governance in monitoring circular economy practices increases by internalizing digital transformation and blockchain technology (Santos et al., 2023). In this regard, corporate governance would serve to ensure that firms are making the transition to run sustainably, with lower environmental footprint, and provide resilience in firms to run sustainably over time (Forsterling et al., 2024).

## 2.2 Theoretical Review

The study on corporate governance and its role in ensuring compliance with circular economy regulations is underpinned by the Agency Theory and the Stakeholder Theory, both of which provide a foundational framework for understanding governance structures, accountability, and compliance mechanisms.

Agency Theory depicts the connection between corporate executives (agents) and shareholders or stakeholders (principals) (Wamane, 2023), and that (principals) remain to mainly concern about the fact that the executives (agents) should not focus more on short-term revenues instead of long-term sustainability, which may affect the finances and revenues of the agents. Perramon et al., (2024) propose that when managers can focus on short-term financial outcomes instead of over long-term organizational goals including regulatory compliance, a conflict of interests and a governance failure will occur. This problem can be mitigated through corporate governance mechanisms including independent boards, engineered executive compensation structures, and robust auditing systems which incentivize managers to take environmental and regulatory goals into consideration when pursuing projects (Fonseca & Michie, 2024). In the circular economy context, agency theory outlines that performance-based incentives and robust monitoring frameworks can help to ensure that businesses adhere to sustainability regulations and adopt resource-efficient practices (Cwiklicki et al., 2024). Strict governance structures discourage opportunism by executives and promote responsible corporate behavior.

Stakeholder Theory enhances the traditional view of corporate governance by clouds asking businesses to take into account a broader array of stakeholders both the employees, consumers, government, and environmentalists (Butt & Kousar, 2024). This proposition suggests that companies need to move beyond shareholder primacy and integrate sustainability goals into their governance approaches to retain legitimacy and long-term success (Popescu et al., 2024). By complying with requirements for circular economy, firms can demonstrate their commitment to an environmental conscience and address the issues raised by regulators and society, which is consistent with stakeholder theory (Shqairat et al., 2024). Engaging with multiple stakeholders allows firms to establish transparent reporting systems, ensure corporate strategy incorporates sustainability or compliance with circular economy regulations. Governance structures that are stakeholder oriented also make sure that businesses embrace environmental sustainability without endangering their financial health (Banu, 2024).

Both agency and stakeholder theories importantly illuminate the nature of the relationship between corporate governance elements and regulatory compliance in a circular economy context (Arfaoui & Hazami, 2024). Agency theory emphasizes aligning managerial incentives with compliance objectives, while stakeholder theory expands the governance perspective by championing stakeholder-inclusive decision-making that serves the interests of multiple groups. Combined, these theories provide a comprehensive understanding of how governance plays a vital role in meeting the goals of corporate accountability, sustainability, and sustainable regulatory compliance (Vedvik, 2022).

### 2.3 Empirical Review

There is empirical evidence regarding the influence of corporate governance over compliance with circular economy rules) across different industries as emerging literature indicate its influence over sustainability, regulatory adherence organization matters). Empirical evidence shows that companies with robust governance frameworks tend to adopt circular economy approaches (Zatonatska et al., 2024), including the minimization of waste throughout supply chains, the efficient use of resources, and the adoption of sustainable modes of production and consumption to comply with legal frameworks. A study by Salvioni&Almici, (2024) concluded that companies that have independent boards and strong internal control systems show a higher level of compliance with circular economy directives, as governance mechanisms promote transparency and accountability in business operations.

Evidence from the manufacturing industry indicates that compliance with regulations is greatly improved when circular economy business models incorporate environmental, social, and governance (ESG) indicators into the governance frameworks promoting the circular economy (Salvioni&Almici, 2020). Multinational corporations evidence confirms that businesses using robust corporate governance models usually include circular economy policies in their strategic goals to enhance sustainability performance (Battles et al., 2024). For example, an analysis of European automotive sector found that firms with governance approaches prioritizing board monitoring and stakeholder participation had greater compliance with circular economy laws. It supports the work of Salvioni&Almici, (2020) which found industries with a large potential environmental footprint perform better on regulatory detail when their governance system favours the bringing of senior executives to account.

Governance also reflects this fact, as demonstrated by empirical studies in the financial sector, specifically emphasizing its importance for compliance with circular economy regulations. Well governed banks and financial institutions will be more willing to fund circular economy projects because they provide funds to firms adopting sustainable practices (Zatonatska et al., 2024). Research by Shqairatet al., (2024) conclude that in financial markets, governance-oriented approaches like green bonds and sustainability-linked loans support compliance with circular economy guidelines by all of the firms attaining the specified environmental objectives. Likewise, a study of sustainability disclosure in the energy industry found that companies with independent audit committees and a clear corporate governance structure are more compliant with the circular economy regulatory agenda (Salvioni&Almici, 2024).

In the retail field, there was evidence that their applied governance systems like supply chain audits and ethical sourcing policies improved compliance pressures against laws ensuring circular economies (Nzama &Kahyaoglu, 2024). Commenting on a study for research on global retail corporations, it reported that companies adopting a governance framework that requires supplier accountability report higher levels of compliance to regulations on waste reductions and resource efficiencies (Efunniyi et al., 2024). Moreover, studies focused on consumer goods companies showed that high corporate governance practices that support sustainability reporting enhance transparency and regulatory compliance in circular economy transitions (Blinova et al., 2024).

While corporate governance aids compliance with circular economy regulations, Annesi et al. (2025) emphasize varied empirical evidence revealing challenges in terms of regulatory inconsistencies and weak enforcement mechanisms. Studies on governance structures support compliance, yet the efficiency of these regulatory outlines varies greatly depending on regions and industries, requiring its proper adaptation (Ardiles & Jansson, 2024). Heterogeneous empirical findings highlight the influence of corporate governance on industry-wide adherence to circular economy laws, serving as a reminder of the importance of robust governance frameworks in fostering sustainable business practices (Antoniazzi, 2021).

## 2.4 Conceptual Framework

This study is framed within the conceptual framework that relates corporate governance to compliance with circular economy regulations for different sectors. Depository receipt performance acts as the independent variable, while corporate governance captures significant governance devices, including board structure, executive accountability, transparency, stakeholder engagement, and regulatory oversight (Kumar et al., 2024). Seyi et al., (2024) defines these aspects as factors influencing the strategies used for decision-making by firms regarding the complementary integration of sustainability and regulatory compliance into the business model. Governance frameworks also promote organizational adherence to circular economy principles through better management of waste, resource and production efficiency (Ragazou et al., 2024).

The dependent variable, compliance with circular economy regulations, encompasses compliance with environmental policies, sustainability reporting, waste reduction initiatives, and the introduction of circular business models (Annesi et al., 2025). Governance mechanisms enhance levels of compliance through promoting transparency, risk management, and accountability in corporate decision-making (Seyi et al., 2024). According to the framework, organizations perceive the potential impact of circular economy regulations on their business activities more positively if they possess a well-structured governance model, leading to a higher likelihood of adhering to these regulations (Antoniazzi, 2021). Based on these assumptions, we developed our conceptual framework through which we discuss the direct connection between corporate governance and circular economy policies; we argue how corporate governance mechanisms lead to sustainability strategies (Seyi et al., 2024). The figure 2.1 shows the conceptual framework of the study.

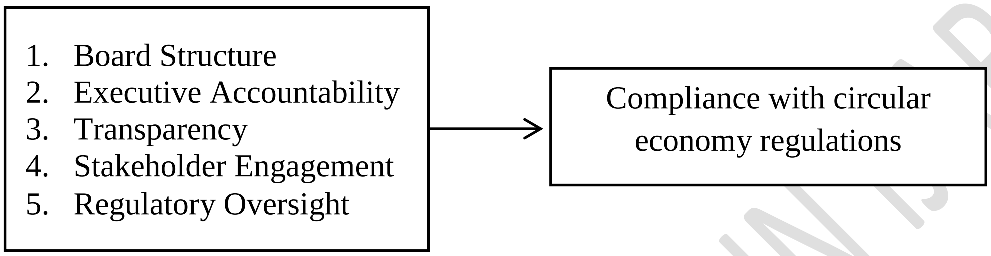


**Figure 2.1:** Conceptual Model

**Source:** *Authour'smodel, (2025)*

## 3.0 RESEARCH METHODOLOGY

To conduct this study, the methodology is based on the secondary data collection approach, which involves studying previously published literature regarding the effect of corporate governance to promote compliance with circular economy regulations, across sectors. This research draws from peer-reviewed journals, reports, and regulatory documents available in trusted academic databases including Scopus, Web of Science, Google Scholar, and ScienceDirect to analyze the interplay between governance mechanisms and regulatory compliance during the transition to a circular economy (Ragazou et al., 2024). The pooling of secondary data serves to solve this problem by enabling thorough examination of existing empirical results, theoretical perspectives and case studies contributing to understanding how corporate governance structures impact sustainability and regulatory compliance (Federico & Adamo, 2024).

The research design of the study is theoretically based on systematic literature reviews (SLR) which helps in identifying, selecting and synthesizing relevant studies to answer the research objective (Federico & Adamo, 2024). Then we walk through the structured approach that this review process took in selecting and analyzing secondary data for reliability, validity, and rigor. Inclusion criteria will be studies published in the last decade to ensure the capture of recent insights into corporate governance and circular economy compliance, emphasizing on sectors such as manufacturing, energy, finance, and retail (Ene, 2024).

In order to build a solid data collection, a refined high-quality literature filter is used based on search keywords and Boolean operators. Keywords are "corporate governance and circular economy," "regulatory compliance in sustainable industries," "board accountability in environmental regulations," and "stakeholder engagement in circular economy policies" (Peng & Shen, 2024). Each study is selected for inclusion based on its relevance, methodological robustness, and empirical contribution, prioritizing Scopus-indexed articles, industry reports, and regulatory documents (Owusu, 2024).

Data Analysis Method All findings in the papers are then categorized using thematic synthesis into specific themes, including board structure and compliance, executive accountability and sustainability, transparency in the circular economy policies, stakeholder influence on regulatory compliance, and governance structures for the management of environmental risk (Odum, 2024). This study uses secondary data from various sources to uncover patterns, gaps, and opportunities for further research (Atuahene, 2024).

Requirements for ethics in secondary data collection include citation and acknowledging sources, avoiding plagiarism, and critically evaluating the credibility of chosen studies (Adedara et al., 2024). Some examples include: Peer-reviewed literature and verified regulatory reports were used to ensure transparency and reliability in the research process; academic curricula were aligned with the 2017 guidelines and database (Vanderpuye, 2024);

Including insights from multiple actors across various domains contributes to examining different angles of innovation, thus underscoring the likelihood that the focus on a specific experiment whether of multiple actors, countries, or industries either produces significant findings, thus confirming an hypothesis, or results in even more unexpected data (Boakye et al., 2025). This methodological approach facilitates a cross-industry comparative analysis of governance mechanisms, illustrating best practices and challenges facing companies to comply with circular economy regulations (Trinh, 2024).

A secondary data review is used to allow the study to broadly address how corporate governance can lead to greater regulatory compliance and thus transform industries through detailed insights into governance frameworks, sustainability policies and regulatory enforcements (Murray et al., 2024). These additional steps result in a comprehensive and evidence-based understanding of the study's research objectives (Honorato & Peroni, 2024).

## 4.0 FINDINGS OF THE STUDY

The review of the literature underscores the diverse ways in which corporate governance influences compliance with circular economy regulations and broader sustainability practices. Owusu-Ansah (2024) emphasized the importance of sustainable policies in shaping urban employment in emerging global cities, using Accra as a case study. While this provides useful insights into employment sustainability, the study lacked a focus on the role of governance structures in driving such outcomes, suggesting that future research could examine how governance frameworks influence employment sustainability in urban contexts. Similarly, Odum-Boateng (2024) identified key determinants of succession planning in small enterprises in Awutu Senya East, Ghana, linking governance to small business continuity. However, the study did not provide a comparative analysis with larger organizations, which points to the need for examining succession planning strategies in multinational corporations.

In the financial sector, Atuahene and Xusheng (2024) demonstrated that effective governance mechanisms support economic stability and financial sustainability. Yet, their work paid little attention to environmental governance, highlighting an opportunity for future studies to investigate how governance frameworks influence environmental policies and their financial implications. In parallel, Adedara et al. (2023) conducted a systematic review of municipal solid waste collection in Sub-Saharan Africa, showing how governance influences waste collection efficiency. Nevertheless, they did not fully assess the governance failures within waste management systems, leaving room for research into governance interventions aimed at improving efficiency.

The literature also sheds light on governance in hybrid and faith-based enterprises. Vanderpuye (2024) examined the role of spirituality in shaping governance practices within faith-based social enterprises in Ghana. Although this provided valuable insights, the findings lacked generalizability to non-faith-based entities, suggesting that future research should compare governance practices across secular and religious organizations. Boakye et al. (2025) added another dimension by showing that board governance positively influences environmental compliance, thereby enhancing sustainability outcomes. However, this study emphasized the need for broader industry-specific analysis and suggested further inquiry into how board diversity may influence sustainability measures.

At the policy level, governance has been linked directly to successful circular economy transitions. Kandpal et al. (2024) explored how governance frameworks shape sustainable energy transitions and circular economy policies, but the lack of empirical validation across different economies signaled the need for cross-country comparative studies. Similarly, Trinh (2024) compared the adaptability of EU sustainable corporate governance regulations to Vietnam, emphasizing challenges in regulatory transferability but stopping short of offering sector-specific governance recommendations. Future research could therefore explore governance adaptability across industries. In Brazil, Honorato and Peroni (2024) investigated the convergence between ESG policies and circular economy adoption, concluding that governance alignment strengthens sustainability efforts. However, their findings were limited by a lack of cross-country comparisons, pointing to the potential for global comparative studies.

Studies have also traced the historical evolution of governance and its role in corporate responsibility. Ijomah et al. (2024) examined shifts in environmental responsibility within corporate governance, identifying long-term accountability trends but falling short of applying these insights to real-world case studies. Abu-Bakar and Charnley (2024) took a more strategic approach by proposing a theoretical governance-based roadmap for circular economy strategies. Their framework, however, required empirical validation, leaving open the possibility for testing roadmapping strategies in real-world contexts. Complementing this, Rognstad et al. (2024) highlighted the legal and economic governance aspects that promote circular economy innovation. Still, they did not adequately address corporate barriers to innovation, which remain a critical area for exploration.

Further perspectives revealed how governance intersects with multi-stakeholder and digital frameworks. Espuny et al. (2025) stressed the importance of government-led integration strategies, emphasizing public-private governance collaboration in promoting the circular economy. Nonetheless, their study overlooked governance effectiveness in SMEs, suggesting that future work should address governance within smaller enterprises. In line with technological advancements, Mahwish et al. (2025) showed that digital governance tools improve compliance with circular economy practices and enhance corporate value creation. Yet, the lack of empirical validation meant that digital governance models need further testing through case studies.

Governance transparency and enforcement also emerged as recurring themes. Santos et al. (2023) examined governance in corporate sustainability reporting, noting the role of text-mining in analyzing transparency. However, their work did not address governance enforcement mechanisms, which remain crucial for ensuring accountability in reporting. Similarly, Försterling et al. (2023) investigated governance enablers and barriers to circular economy transitions in Europe, emphasizing supportive policy frameworks but offering limited insights into governance adaptation outside Europe. This gap suggests that future studies could evaluate governance models in developing economies. Ashraf (2024) focused on the legal dimensions of the green economy, highlighting governance's role in compliance frameworks but leaving unexplored the challenges of governance implementation, which warrants closer investigation.

Finally, governance in relation to corporate social responsibility (CSR) was examined by Pucelj and Bohinc (2024), who explored the link between governance structures and CSR strategies for sustainability. While their study provided a theoretical basis for governance-CSR integration, it lacked empirical evidence, indicating the need for future research to develop case studies demonstrating the real-world impact of governance on CSR outcomes. Collectively, these studies illustrate that while governance is consistently recognized as a critical driver of circular economy compliance, there remain significant research gaps concerning empirical validation, cross-country comparisons, sector-specific applications, and the integration of emerging digital governance tools.

## 4.1 Discussion of Findings

The analysis supports the importance of corporate governance in adherence to circular economy policy across sectors. The literature review indicates that sound governance mechanisms are necessary for sustainability and compliance (Honorato & Peroni, 2024). Transparent governance structures increase the likelihood of integrating circular practices effectively thus, emphasizing the importance of accountability for leadership and decision-making. Indeed, there are indications that the structures of boards determine adherence to regulations, with companies that have diverse boards or boards with independent chairs executing sustainable policies more effectively (Abu & Charnley, 2024).

On that note, executive accountability is also a critical factor, as committed leadership to sustainability leads to better compliance with established policy (Espuny et al., 2025). This is consistent with the findings, which suggest strong regulatory frameworks need effective corporate governance for comprehensive implementation (Kazancoglu et al., 2024). Governance transparency is also crucial, because it decreases the risk of nonconformities and promotes long-lasting commitment to environmental compliance (Lieder & Rashid, 2024). Yet, in addition to these positive observations, there are still voids in knowledge surrounding the enforcement frameworks necessary to ensure compliance in the long term (Mahwish et al., 2024).

Another major theme in the study is stakeholder influence; evidence shows that external pressures are responsible for stronger governance (Santos et al., 2024). This means that corporates need to proactively engage with their stakeholders to improve their governance and compliance. Furthermore, governance structures need to evolve with the changing regulatory environment and need to remain flexible with corporate policy and practices (Ashraf, 2024). Such adaptability is even more critical within the context of multinational companies which exist across a number of different regulatory structures, where divergent governance standards can create barriers to compliance (Puceli& Bohinc, 2024).

In addition, the literature mentions that technological advancements are helping improve governance and regulatory compliance. For example, Wamane, (2023) find that digital tracking tools and automated monitoring systems enhance compliance with sustainability legislation by offering managers real-time data on their firms' performance, allowing them to comply with environmental regulations. But, some research also point to obstacles during the usage of digital governance systems, especially in sectors with poor technological base (Perramon et al., 2024). More research is needed on effective integration of digital platforms across industries to facilitate compliance (Fonseca & Michie, 2024).

Another significant finding relates to the influence of ethical leadership on corporate governance and adherence to the circular economy. In actuality, the bedrock of ethical decision-making is established in boardrooms where a culture of responsibility flows from the top to the bottom, resulting in a more favourable regulatory environment (Fonseca & Michie, 2024) Transformational leadership styles have been associated with increased governance effectiveness, which enable leaders to implement successfully compliance initiatives (Cwiklicki et al., 2024). Yet, a gap remains in the understanding of how governance models can be tailored for smaller and medium-sized enterprises (SMEs) that frequently do not have the human resources of large corporations (Kandpal et al., 2024)

For wide-ranging compliance with circular economy regulations, corporate governance is found to serve as a fundamental backbone across various industries. Although the compliance of DTNs is facilitated by the presence of decentralised governance structures, stakeholder engagement, and technological advancements, research gaps remain regarding enforcement mechanisms, small and medium-sized enterprises governance models, and the challenges of digital governance (Butt & Kousar, 2024). Filling these gaps will be key to designing better governance solutions within the shift towards a circular economy.

## 5.0 CONCLUSION

This study highlights the importance of corporate governance when it comes to compliance with circular economy regulations in companies belonging to various industries. Effective governance strategies with transparent leadership, diverse board structures, and accountability of executive and managerial levels are vital to ensure compliance with regulations and a robust implementation of circular operations. As investors, policymakers, and consumers strengthen their influence as stakeholders, governance structures also respond by driving firms to adopt more sustainable policies. Furthermore, emerging technologies have the capacity to provide and strengthen governance and regulatory compliance through inclusive tools and services such as digital tracking and automated scrutiny systems, but there are constraints in sectors with nascent technological frameworks.

Having shown that ethical leadership and transformational governance styles seem to be the driving forces behind compliance, a culture of sustainability weaves itself into the fabric of organizations. Nonetheless, the study identifies important gaps in research, especially concerning the enforcement mechanisms needed for sustained adherence, the need for changes in governance models for small and medium-sized enterprises, and the challenges in implementing digital governance solutions. Filling these gaps is key to crafting better governance strategies that could help the world transition to a circular economy. Subsequent studies are recommended to better understand enforcement imperatives, scale-able governance frameworks for SMEs and emerging tech applications which can enable compliance across sectors.

## 5.1 Recommendations

*Strengthen Corporate Governance Frameworks for Circular Economy Compliance*: To effectively promote the circular economy transition, corporations must strengthen their governance frameworks by embedding sustainability principles into their core management and decision-making systems. This requires establishing clear and enforceable circular economy policies that are aligned with both national and international sustainability standards. Boards of directors should be empowered to integrate environmental, social, and governance (ESG) objectives into strategic planning and performance evaluation. Transparency should be maintained in all corporate processes through open reporting and regular audits, while accountability mechanisms must ensure that every level of leadership—from senior executives to operational managers—adheres to sustainability targets. By integrating sustainability into corporate governance structures, firms can proactively anticipate regulatory demands, reduce non-compliance risks, and foster long-term environmental and financial resilience.

*Enhance Stakeholder Engagement in Governance Processes*: Active stakeholder participation is essential for ensuring that governance policies reflect the realities and expectations of diverse interest groups. Corporations should develop systematic approaches for consulting with key stakeholders, including investors, policymakers, regulators, customers, and suppliers. Structured platforms such as multi-stakeholder forums, sustainability roundtables, and regular public disclosures can promote dialogue, feedback, and co-creation of sustainability strategies. Businesses should also institutionalize stakeholder feedback mechanisms—such as grievance systems, annual sustainability reports, and open data portals—to foster trust and shared accountability. Enhanced stakeholder engagement not only strengthens corporate legitimacy but also drives compliance with evolving circular economy regulations by aligning business strategies with societal and environmental expectations.

*Leverage Digital Technologies for Regulatory Compliance*: Digital transformation provides a vital opportunity for improving compliance with circular economy standards. Firms should invest in advanced technologies—such as blockchain for supply chain traceability, Internet of Things (IoT) sensors for real-time monitoring, and Artificial Intelligence (AI) tools for data analysis—to improve transparency, efficiency, and accountability in resource use. These technologies can track material flows, measure emissions, and verify sustainable production practices, enabling firms to respond swiftly to regulatory changes. To successfully implement digital governance, organizations must also strengthen their internal capacities through staff training, digital literacy programs, and cybersecurity measures to safeguard data integrity. Partnerships with technology providers and regulators can further enhance interoperability and standardization across industries, ensuring consistent and verifiable compliance outcomes.

*Develop Tailored Governance Models for Small and Medium-Sized Enterprises (SMEs)***:**SMEs play a critical role in advancing circular economy goals but often face significant constraints in resources, expertise, and access to finance. Policymakers and industry associations should design simplified yet robust governance models that consider the operational realities of smaller enterprises. Such models could include tiered regulatory compliance systems, financial incentives (such as tax credits or green financing schemes), and capacity-building programs that train SMEs in sustainability management, digital reporting, and resource efficiency. Collaboration between larger corporations and SMEs through value chain partnerships can also facilitate knowledge transfer and improve overall compliance. Tailored governance support for SMEs will create an inclusive framework for circular economy adoption, ensuring that the sustainability transition is equitable and widespread across all sectors.

*Establish Stronger Enforcement Mechanisms for Sustainable Governance*: Effective enforcement is essential to ensure that corporate governance systems translate sustainability principles into practice. Regulatory authorities should adopt proactive and transparent enforcement mechanisms, including periodic compliance audits, performance-based ratings, and sanctions for non-compliant firms. At the same time, incentives such as public recognition, tax rebates, or preferential access to government contracts can reward companies demonstrating exemplary sustainability practices. Developing a centralized database for tracking compliance records across industries would improve monitoring efficiency and accountability. Strengthening enforcement frameworks will not only enhance adherence to circular economy policies but also create a culture of responsibility and integrity that drives sustainable transformation in the long term.

## 5.2 Limitation and Direction for Future Study

This study has certain limitations that provide avenues for further research. Although it presents an extensive review of corporate governance and compliance in the circular economy, it relies mainly on secondary data, lacking real-time empirical evidence from industries. Future studies should incorporate case studies, surveys, and corporate reports to validate these findings. Additionally, the focus on large firms limits understanding of how governance frameworks function in small and medium-sized enterprises (SMEs) with limited resources. Sector-specific analyses were also not explored, despite variations in governance needs across industries. Moreover, while digital governance and technology adoption were discussed, challenges faced by developing economies were not examined in depth. Future research should therefore focus on empirically testing governance models across sectors, developing SME-focused frameworks, and investigating how evolving digital innovations and policy changes influence the adaptability, accountability, and sustainability of corporate governance in the circular economy.

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