

# Chapter 7

## Environmental Governance and Circular Business: Leading the Transition to a Sustainable and Competitive Future

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### ABSTRACT

*Corporate environmental governance has become a fundamental aspect for companies seeking to lead the transition to a more sustainable future. This chapter addresses how organizations can incorporate sustainability practices into their strategy, operations, and decision-making at the governance level. First, the importance of establishing solid corporate environmental governance is analyzed, including the definition of environmental policies, goals and objectives aligned with the principles of sustainable development. On the other hand, the chapter examines best practices in environmental governance, such as the implementation of management systems, the measurement and reporting of environmental impacts, the incorporation of environmental criteria in strategic decision-making, and the establishment of accountability and transparency mechanisms.*

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## INTRODUCTION

In recent decades, growing concern about global environmental challenges, such as climate change, biodiversity loss, and resource scarcity, has highlighted the need to take a more sustainable approach to traditional business models. Companies are facing unprecedented pressure from governments, consumers, investors, and other stakeholders to reduce their environmental impact and contribute to the transition to a greener and more circular economy (Kibert et al., 2012; Schaltegger et al., 2019). In this context, corporate environmental governance has emerged as a key factor in driving business sustainability and leading the shift towards a more sustainable future. Environmental governance refers to the organizational systems, processes, and structures that govern decision-making, policy implementation, and accountability in relation to a company's environmental performance (Kök et al., 2021; Walls et al., 2012).

Strong corporate environmental governance requires the commitment and leadership of senior management and the board of directors to establish a clear vision and ambitious environmental targets, as well as to allocate the resources needed to achieve them (Aragón-Correa et al., 2020; Hussain et al., 2018). In addition, it involves the integration of environmental considerations into all areas and levels of the organization, from strategic planning to day-to-day operations (Bansal & Song, 2017; Delmas & Burbano, 2011). A fundamental element of corporate environmental governance is the implementation of robust environmental management systems (EMS), such as ISO 14001, which provide a structured framework for identifying, measuring, monitoring, and continuously improving an organization's environmental performance (Ferron-Vilchez, 2016; Testa et al., 2018). These systems also promote transparency and accountability by requiring disclosure of environmental information to stakeholders (Heras-Saizarbitoria et al., 2011; Testa et al., 2018). In addition to EMS, leading sustainability companies are adopting innovative approaches to address environmental challenges, such as the circular economy, which seeks to minimize waste and maximize resource reuse (Kirchherr et al., 2017; Merli et al., 2018). This involves redesigning products and processes to facilitate recycling, repair, and reuse, as well as exploring new business models based on the service economy and sharing (Bocken et al., 2016; Linder & Williander, 2017).

However, companies are adopting green innovation strategies, which involve the development and commercialization of products, services, and technologies that are more environmentally friendly (Dangelico, 2016; Del Río et al., 2016). This not only reduces the environmental impact of business operations, but can also create new market opportunities and competitive advantages (Porter & van der Linde, 1995; Ambec & Lanoie, 2008). While transitioning to more sustainable business models can be challenging, recent studies have shown that companies with strong

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