
Influence of Corporate Sustainability Reporting Directive on Environmental, Social, and Governance Risk Management Strategies among Companies Listed on the Nairobi Securities Exchange

Daniel Murage Kinyua

UniAthena

Magdalen Centre, Robert Robinson Avenue, Oxford OX4 4GA, United Kingdom

Email: information@uniathena.com

Cite: Kinyua, D.M. (2026). Influence of Corporate Sustainability Reporting Directive on Environmental, Social, and Governance Risk Management Strategies among Companies Listed on the Nairobi Securities Exchange. *The University Journal*, 8(1), 88-100.

Abstract

This paper examines the influence of the Corporate Sustainability Reporting Directive (CSRD) on ESG strategies among companies listed on the Nairobi Securities Exchange (NSE), employing an exploratory design that combines quantitative and qualitative analysis of five leading NSE issuers to assess how CSRD-shaped disclosure practices influence ESG risk management within the Kenyan capital markets context. While the findings reveal that ESG reporting has expanded following the 2021 NSE guidance, alignment with core CSRD features remains uneven, particularly with respect to double materiality assessments and independent assurance, underscoring the need for the Capital Markets Authority and the NSE to strengthen enforcement mechanisms and provide targeted capacity-building initiatives that bring Kenyan ESG reporting into closer alignment with evolving global standards.

Keywords: Corporate Sustainability Reporting Directive (CSRD), Stakeholder engagement, Environmental, Social, and Governance (ESG) Risk Management, Nairobi Securities Exchange, Kenya.

Introduction

As investors, regulators, and the public increasingly prioritize corporate sustainability, the European Union's Corporate Sustainability Reporting Directive (CSRD) has emerged as a landmark regulatory development requiring companies to report through the lens of double materiality (Mezzanotte, 2023). By linking disclosure quality to governance through mandatory assurance and standardized reporting, the framework reinforces organizational accountability while treating sustainability as a core driver of risk rather than a peripheral concern, ultimately enhancing operational efficiency and reducing costs over time (Dragomir et al., 2025; Downar et al., 2021; Sharma, 2025).

The CSRD's influence extends well beyond European borders, shaping corporate behavior globally through interconnected financial systems and supply chains (European Commission, 2022; Council of Institutional Investors, 2021). Although African regulators have increasingly sought alignment with global ESG principles (GRI, 2022; Botha, 2025), the directive's specific impact on the continent remains underexplored (Próchniak et al., 2023). Where progress has been observed, stakeholder participation has proven decisive, as evidenced by Egypt's green finance initiatives

and Tanzania's evolving accountability frameworks (Central Bank of Egypt, 2022; Pandisha, 2024; Lauwo et al., 2022).

Kenya presents a particularly instructive case, where despite regulatory steps toward international alignment (CMA, 2020), NSE-listed companies continue to exhibit inconsistent ESG adoption. This paper therefore explores how CSRD-shaped disclosure practices influence ESG risk management within this emerging market context.

Empirical Review

Structured disclosure frameworks enhance transparency and reduce risk. Sharma (2025) found out that CSRD-aligned double materiality improved investor confidence, while Peliu (2024) showed governance-linked ESG reduced NYSE firm risks. Yang et al. (2021) reported 7% CO₂ reduction following mandatory disclosure, and Downar et al. (2021) observed 8% emissions decline after UK's Greenhouse gas (GHG) mandate. Gerged et al. (2021) identified U-shaped relationship between disclosure maturity and equity costs, while Krueger et al. (2024) concluded that mandatory ESG disclosure enhanced liquidity and governance across 65 countries. Asian studies reinforce these patterns, with reduced default and liquidity risks observed among Chinese firms and banks (Li et al., 2025; Liu & Xie, 2024; Wu & Xie, 2024), while North American research links digital ESG systems to increased investor confidence (Council of Institutional Investors, 2021; Taylor & Collins, 2022).

In East Africa, stakeholder-oriented reforms have supported improvements in governance transparency. Lauwo et al. (2022) criticized hierarchical governance structures in Tanzania, arguing that they weakened stakeholder oversight. The HAG Mufindi District Council case showed that participatory strategic management improved local ESG reporting (Pandisha, 2024). In Uganda, Ntirandekura, Zikusooka, and Matovu (2025) observed that stronger internal controls and transparent governance practices were linked with improved financial performance in the public sector. Evidence from Rwanda (Bategeka et al., 2021) further supports the idea that participatory governance enhances service quality and risk control, reinforcing the regional case for inclusive ESG mechanisms.

Kenyan studies point to gradual but uneven adoption of ESG frameworks. Sulaiman et al. (2025) found that ESG disclosure explained about 32% of the variation in return on equity among NSE-listed firms, while Ikapel, Tibbs and Nelima (2023) linked environmental reporting to improved manufacturing performance. The NSE (2021) financial sector study reported positive correlations between ESG integration and financial outcomes, although Makworo and Kasiva (2021) noted slow uptake of SDG 12 on responsible consumption and production. Ngina (2024) observed inconsistent compliance with Kenya's 2020 sustainability reporting guidelines, citing capacity and enforcement gaps that limit the standardisation of ESG practices.

Across both developed and emerging markets, integrating ESG practices into corporate governance structures not only improves accountability but also contributes to long-term financial stability. This highlights the need for further research and implementation of robust disclosure mechanisms to strengthen ESG governance, particularly in developing economies.

Theoretical Framework

This study employed Stakeholder Theory, Agency Theory, and Legitimacy Theory to explore how CSRD disclosure practices influence ESG risk management among NSE-listed companies, addressing governance, stakeholder engagement, and legitimacy.

Stakeholder Theory (Freeman, 1984) argues that businesses should consider diverse stakeholders beyond shareholders. Donaldson and Preston (1995) distinguish descriptive, instrumental, and normative dimensions which aligns with GRI (2022) and ISSB (2023) standards requiring stakeholder-focused ESG risk management. CSRD emphasizes stakeholders through double materiality (European Commission, 2022), explaining how stakeholder-driven governance strengthens ESG management among Kenyan firms.

Agency Theory addresses principal-agent conflicts and information asymmetry, connecting to governance arrangements like board oversight and ESG committees which in return ensures that managers respond to ESG risks (Bonham & Riggs-Cragun, 2023).

Legitimacy Theory on the other hand focuses on maintaining societal approval. Amos (2024) notes that firms undertake actions reflecting social values to secure legitimacy and avoid reputational damage, relevant for analyzing how ESG reporting affects stakeholder trust. Together, these theories provide a comprehensive framework exploring how CSRD disclosure practices shape ESG risk management among NSE-listed companies.

Methodology

This study employed an exploratory design to assess how CSRD-shaped disclosure practices influence ESG risk management among Nairobi Securities Exchange (NSE)-listed companies, identifying opportunities, challenges, and gaps in ESG integration. Analysis drew on qualitative and quantitative sources (2018–2025), including journals, policy, and industry reports (CMA, 2015; NSE, 2021, 2025; Central Bank of Kenya, 2021; Deloitte, 2021; Oraro and Company Advocates, 2022; Bowmans Law, 2024), comparing CSRD features, double materiality, assurance, and digital tagging with NSE guidance.

A case study approach examined five leading NSE issuers: Safaricom, Kakuzi, Equity Group Holdings, East African Breweries, and Kenya Electricity Generating Company. Primary documents included their 2022–2024 sustainability, ESG, and integrated reports, alongside financial statements, examined with SFCoE's 2025 sustainable finance report and NSE and CMA documents.

Data were coded using directed content analysis covering themes such as ESG adoption, stakeholder engagement, governance, firm outcomes, sustainable finance access, CSRD-related gaps, and enforcement issues. Triangulating company reports, legal texts, and empirical studies enhanced reliability of the study findings.

Findings and Discussions

Findings were derived from qualitative analysis of secondary data, case studies, and industry reports spanning 2018–2025, reflecting evolving ESG reporting trends, particularly after the NSE's 2021 ESG Disclosures Guidance Manual, which aligns closely with CSRD principles. Key themes included adoption and standardization of ESG reporting, links between ESG performance and firm outcomes, as well as challenges firms face aligning with CSRD-like standards.

Extent of ESG Reporting Adoption and Standardisation Among NSE Listed Firms Post-2021 Guidance

ESG reporting adoption among NSE-listed firms has grown since 2021, driven by the Nairobi Securities Exchange ESG Disclosures Guidance Manual, aligning local practice with CSRD-type expectations and global norms (NSE, 2021; Sulaiman et al., 2025). The manual encourages structured, comparable disclosure of material ESG information. This is reinforced by the CMA's Code of Corporate Governance Practices requiring boards to formulate sustainability strategies under "apply or explain" (CMA, 2015). Legal commentary notes these instruments pushed firms to formalize ESG governance and enhance reporting quality (Oraro & Company Advocates, 2022).

In banking, the Central Bank's Guidance on Climate-Related Risk Management requires climate risk integration into governance and disclosure, encouraging TCFD alignment (Central Bank of Kenya (CBK), 2021). This supports ESG-linked lending where pricing depends on borrowers' ESG performance (Oraro & Company Advocates, 2022; Bowmans Law, 2024).

Table 1 illustrates application across five NSE firms including; Safaricom, Kakuzi, East African Breweries Limited (EABL), Kenya Electricity Generating Company PLC (KenGen), and Equity Group Holding over 2022–2024, disclosing environmental metrics, social programs, and governance oversight (Safaricom, 2023; Equity Group Holdings, 2024; Kakuzi, 2024). While responding to identical regulations, firms operationalize ESG differently but increasingly systematically.

Table 1
Summary of ESG Metrics for Select NSE-Listed Companies (2022 to 2024)

Company	Environmental metric	Social metric	Governance/assurance
Safaricom	20% reduction in Scope 1–2 network emissions and 50% of energy from renewables by FY 2050	Aims for 50:50 gender parity in senior management and 5% of staff with disabilities; extensive community programmes via Safaricom and M-PESA	Selected ESG KPIs subject to limited external assurance; sustainability overseen at board level
Kakuzi	Uses biomass (e.g., macadamia shells) for process energy and reports ongoing decarbonisation of operations	Runs community programmes on livelihoods, energy access and human rights	Standalone ESG and governance reports
East African Breweries (EABL)	Pursues net-zero Scope 1–2 and 100% renewable electricity in direct operations under its “Society 2030” strategy	Implements responsible drinking, inclusion and WASH initiatives in water-stressed communities	Board oversight of ESG and use of recognised reporting frameworks

Company	Environmental metric	Social metric	Governance/assurance
Kenya Electricity Generating Company (KenGen)	Generates over 90% of its electricity from renewable sources such as hydro, geothermal and wind	Supports host communities through water projects (e.g., sand dams) and education scholarships	Combined assurance model overseen by the Board Audit, Risk & Compliance
Equity Group Holdings	Reports over 35 million trees grown and ~44,700 clean-energy products distributed to households	Provides training and financial support to farmers and MSMEs via Equity Group Foundation	Integrates ESG and climate risk into lending and risk-management structures

Source: Various sustainability reports

Evidence behind Table 1 indicates upward trends in environmental impact management, climate-risk integration, and stakeholder engagement among NSE-listed firms post-2021. Companies like Safaricom and Equity Group report explicit ESG targets and communicate outcomes through investor-facing reports, supporting reputational strength and capital access (Safaricom, 2023; Equity Group Holdings, 2024). Kakuzi’s structured materiality processes demonstrate how ESG manages environmental and social risks while preserving international market access (Kakuzi, 2024).

However, ESG adoption remains uneven across sectors and firm sizes. Bowmans Law (2024) and NSE (2025) note that only 60 percent of firms provide complete ESG disclosures, creating greenwashing risks. Smaller firms struggle transitioning from narrative claims to quantified indicators (Ngina, 2024). Sulaiman et al. (2025) argue that while NSE ESG Disclosures provide structure, consistent practice remains elusive where ESG is viewed as compliance rather than strategy.

Broader policy literature highlights persistent gaps in sustainability reporting and ESG Disclosures. Makworo and Kasiva (2021) note slow uptake of Sustainable Development Goal 12, suggesting mismatches between regulatory expectations and practice. Ngina (2024) observes challenges meeting Kenya Sustainability Reporting Standards regarding data quality and internal controls. Serem et al. (2024) stress capacity building needs for boards and executives.

Overall, combined influence of NSE ESG Disclosures, Capital Markets Authority (CMA) Code, CBK Guidance, KSRS, and CSRD-like principles has advanced ESG reporting, but stronger enforcement, better resourcing, and deeper stakeholder engagement remain necessary for consistent, credible, decision-useful reporting market-wide.

Effect of Stakeholder Engagement on ESG Risk Management

Stakeholder engagement critically improves ESG risk identification, mitigation, and reporting among NSE-listed firms. Structured materiality assessments and feedback loops enhance disclosure accuracy, helping firms surface emerging risks earlier, aligning with Inyang et al. (2023), who link active engagement to greater transparency and lower governance risks.

The NSE ESG Disclosures Guidance Manual (2021) encourages integrating stakeholder engagement into ESG processes, particularly when determining material topics. Kenyan case studies indicate firms increasingly use stakeholder mapping, surveys, and dialogue platforms to

inform materiality and risk identification, though practice depth varies by sector (Safaricom, 2023; Kakuzi, 2024). Owili et al. (2025) report strong positive associations between stakeholder-inclusive risk practices and project outcomes, underlining stakeholder feedback's importance in ESG decision-making.

Table 2 summarizes how selected NSE firms embed stakeholder engagement into ESG risk management, drawing on company sustainability and integrated reports (2018–2025). It illustrates specific mechanisms including; materiality assessments, grievance mechanisms, community programmes, partnership models, linking these to outcomes like improved risk identification, enhanced human-rights due diligence, and reduced reputational risk (Safaricom, 2023; East African Breweries, 2024; KenGen, 2024; Equity Group Holdings, 2024), complemented by aggregate NSE findings (NSE, 2025; Sulaiman et al., 2025).

Table 2

Stakeholder Engagement in ESG Risk Management for Select NSE-Listed Firms (2018–2025)

Company	Stakeholder Engagement Practices	Impact on ESG Risk Management
Safaricom	<ul style="list-style-type: none"> • Stakeholder mapping and “our material topics” process • Regular dialogues with customers, regulators, communities, and investors 	<ul style="list-style-type: none"> • Sharper identification of material ESG risks • Better alignment of disclosures with stakeholder priorities
Kakuzi	<ul style="list-style-type: none"> • Community consultations around operations and livelihoods • Operational Grievance Mechanism (SIKIKI) for workers and communities 	<ul style="list-style-type: none"> • Earlier detection and resolution of social and environmental issues • Reduced escalation of labour and community conflicts
EABL	<ul style="list-style-type: none"> • Ongoing engagement with farmers, distributors, consumers, and regulators • “How we engage our stakeholders” section in sustainability reporting 	<ul style="list-style-type: none"> • Clearer management of responsible drinking, inclusion, water and climate risks • Stronger linkage between stakeholder inputs and risk responses
KenGen	<ul style="list-style-type: none"> • Community engagement near power plants • Regular interaction with regulators and environmental authorities 	<ul style="list-style-type: none"> • Better anticipation of social and environmental project risks • Improved licence-to-operate and project stability
Equity Group Holdings	<ul style="list-style-type: none"> • Partnership-based “Tri-Engine” model with farmers, MSMEs, development partners • Stakeholder-focused programmes on inclusion and climate resilience 	<ul style="list-style-type: none"> • Deeper understanding of client and portfolio ESG risks • Better integration of ESG into credit and climate risk management

Source: Various sustainability reports

Evidence in Table 2 shows firms with strong stakeholder engagement mechanisms such as formal materiality assessments, grievance mechanisms, structured feedback loops, exhibit more advanced ESG risk management. Safaricom’s transparent stakeholder and investor communication links to improved risk identification and lower reputational risks, aligning with Serem et al. (2024), who

found stakeholder engagement produces better governance outcomes. Similarly, Kakuzi's community involvement enhanced environmental stewardship and reduced labour conflicts, demonstrating active stakeholder participation's importance in risk mitigation.

However, Sulaiman et al. (2025) highlight inconsistent engagement across sectors, with many NSE firms not fully integrating stakeholder feedback into ESG frameworks. While stakeholder engagement critically improves ESG practices, significant improvement opportunities remain, particularly in sectors with limited comprehensive engagement capacity.

Governance Arrangements Supporting ESG Risk Management

Analysis of governance arrangements within NSE-listed companies shows many firms have formalized board-level ESG oversight, though depth and effectiveness vary. The NSE ESG Disclosures Guidance Manual and CMA Code expect boards to integrate ESG into strategy and risk oversight, while the Central Bank of Kenya's climate-risk guidance requires boards to oversee climate-related financial risks (CMA, 2015; Central Bank of Kenya, 2021; NSE, 2021). Together with CSRD-shaped expectations, these instruments have driven ESG and risk committee formation, but implementation quality and enforcement remain uneven (Bowmans Law, 2024; Sulaiman et al., 2025).

Kakuzi's governance includes an Independent Human Rights Advisory Committee, Operational Grievance Mechanism, and board committees overseeing ESG and ethical conduct (Kakuzi, 2024). EABL situates ESG oversight within its 'Society 2030' governance architecture with board accountability for sustainability targets (EABL, 2024). KenGen assigns ESG responsibilities to the Board Audit, Risk and Compliance Committee, applying combined assurance across financial and non-financial information (KenGen, 2024). Equity Group embeds ESG and climate considerations into group risk management, with board integration into credit and portfolio decisions (Equity Group Holdings, 2024).

Safaricom provides a relatively advanced example, with a dedicated board-level ESG and Impact Committee overseeing environmental, social, and governance risks, aligning ESG initiatives with corporate strategy, and reviewing sustainability indicators (Safaricom, 2023). Safaricom commissions external assurance on selected metrics and integrates sustainability into enterprise risk management. Where ESG committees have clear mandates, resources, and data, they contribute more meaningfully to risk oversight and disclosure quality (Serem et al., 2024; NSE, 2025). Stakeholder Theory emphasizes that governance structures should balance diverse stakeholder interests to manage emerging ESG risks (Krueger et al., 2024; Sharma, 2025), while Agency Theory suggests well-designed ESG committees align managerial incentives with long-term interests, reducing information asymmetries (Bonham & Riggs-Cragun, 2023).

Links Between ESG Disclosure Practices and Firm Outcomes

Structured, CSRD-shaped ESG disclosure among Kenyan firms increasingly links to measurable outcomes. Evidence shows that higher quality sustainability reporting positively associates with Return of Assets (ROA), ROE, and market valuation (Agutu & Githira, 2023; Sulaiman et al., 2025). Sulaiman et al. (2025) in their study established that ESG disclosure indices explain roughly 40–50 percent of variance in ROA and ROE in Nigerian and Kenyan listed companies, underlining ESG transparency's financial materiality.

Transparent ESG data reduces information asymmetry, improves risk identification, and signals long-term strategic discipline (Agutu & Githira, 2023; Sulaiman et al., 2025; Bowmans Law, 2024; NSE, 2025). CSRD-shaped requirements reinforce this by pushing firms to quantify material environmental, social, and governance exposures rather than relying on narratives (Bowmans Law, 2024), facilitating cross-firm comparisons and ESG risk tracking.

Safaricom illustrates how advanced disclosure strengthens resilience. Its sustainability reports present detailed climate targets, social inclusion metrics, and governance structures integrated into enterprise risk management and board oversight (Safaricom, 2023), enabling management and investors to monitor progress while identifying strategic risks early.

Kakuzi provides a complementary example. Following human rights scrutiny, Kakuzi invested in human-rights governance, grievance mechanisms, and granular reporting (Kakuzi, 2024), meeting European buyer expectations for CSRD-style due diligence while managing litigation risk and protecting premium market access.

Across other NSE firms, Equity Group, EABL, KenGen issuers with CSRD-aligned reports better demonstrate ESG risk integration into operations (Equity Group Holdings, 2024; East African Breweries, 2024; KenGen, 2024), benefiting from lower perceived governance risk (NSE, 2025). However, disclosure quality matters; standardized, CSRD-inspired reporting enhances risk-adjusted performance only when backed by genuine ESG integration.

How CSRD Aligned Reporting Supports Access to Sustainable Finance Instruments

Analysis indicates CSRD-aligned reporting centrally improves firms' access to sustainable finance instruments like green bonds and sustainability-linked loans. International and Kenyan evidence shows lenders and investors rely heavily on clear, comparable ESG metrics when assessing credit risk and pricing capital (Taylor & Collins, 2022; Bowmans Law, 2024; NSE, 2025). By requiring firms to quantify material environmental, social, and governance exposures rather than relying on narratives, CSRD-shaped frameworks enable financiers to embed ESG KPIs in term sheets and covenants. Consequently, high-quality ESG reporting functions simultaneously as market signalling and technical input for structuring sustainable finance deals, directly influencing capital provision and terms.

Safaricom illustrates this dynamic. Building on detailed sustainability reports setting out climate targets, inclusion metrics, and governance structures, Safaricom secured a second KES 15 billion sustainability-linked loan in September 2024, totalling KES 30 billion in such facilities (Safaricom, 2023). Facility pricing ties to ESG indicator progress, meaning that disclosure credibility directly affects capital costs, creating feedback loops where robust CSRD-style reporting unlocks large-scale finance while reinforcing internal ESG discipline.

Kakuzi allocated approximately KES 250 million in 2024 to strengthen supply-chain governance, human-rights oversight, and sustainability reporting, explicitly targeting global buyer and financier expectations (Kakuzi, 2024). Market-wide, NSE (2025) reports green bonds and sustainability-linked loans mobilized over KES 9.5 billion, with NCBA Group playing key roles. Firms with stronger ESG frameworks and transparent reporting qualify more readily for these instruments and secure lower interest rates than peers with weaker disclosures (NSE, 2025).

Gaps and Challenges in Compliance with CSRD Features

Analysis reveals clear gaps between NSE guidance and core CSRD features, particularly around double materiality, assurance, and digital tagging. While NSE ESG Disclosures encourage materiality assessment, most firms focus on financial materiality rather than fully assessing outward environmental and social impacts. Dragomir et al. (2025) show weak double materiality application limits comparability and underreports external impacts in Kenyan agriculture and manufacturing. This supports Sharma's (2025) argument that ESG practices remain incomplete when failing to integrate both internal financial effects and wider societal consequences.

Assurance and digitalization present major gaps against CSRD expectations. CSRD requires independent third-party assurance and machine-readable reporting (e.g., XBRL), while many NSE firms publish unaudited ESG data in static PDFs. Limited assurance reduces disclosure reliability and weakens investor confidence (Sulaiman et al., 2025; Bowmans Law, 2024; Deloitte, 2021). Absent digital tagging hinders cross-firm ESG metric comparisons, undermining usefulness for credit assessment and benchmarking.

Sectoral differences complicate CSRD alignment. Large blue-chip issuers in telecoms, banking, and energy possess ESG committees, data systems, and resources for assurance, while smaller firms face capacity constraints and higher costs (Serem et al., 2024; Ngina, 2024). Weak regulatory enforcement permits minimal reporting, deepening market gaps. Closing gaps require stronger rules and targeted support. Griffiths et al. (2023) advocate gradually aligning local requirements with CSRD principles, including clearer double materiality expectations, phased assurance requirements, and digital tagging roadmaps. Capacity-building programmes, templates, and sector-specific guidance would help smaller firms meet expectations (Sulaiman et al., 2025).

Conclusion

This paper explored how CSRD-inspired ESG disclosure practices' influence on risk management strategies among Nairobi Securities Exchange (NSE)-listed companies. Findings show clear progress in ESG reporting adoption since 2021 NSE guidance, especially among large firms like Safaricom, Equity Group, EABL, and KenGen. However, CSRD-like feature integration remains uneven across sectors, with smaller manufacturing and agriculture firms relying heavily on narrative reporting and partial metrics. Gaps around double materiality, independent assurance, and digital tagging mean many disclosures fall short of CSRD-style standards' expected depth and comparability.

The study highlighted stakeholder engagement and governance arrangements' central role in shaping ESG risk management. Firms using structured materiality assessments, grievance mechanisms, and ongoing stakeholder dialogues better identify, prioritize, and respond to ESG risks. Safaricom's stakeholder-driven materiality processes and Kakuzi's grievance and human-rights structures demonstrate how engagement reduces social, environmental, and reputational risks while improving disclosure credibility. Board-level ESG and risk committees add value only with clear mandates, adequate data, and real authority influencing strategy and capital allocation.

Credible, CSRD-aligned ESG reporting increasingly links to firm outcomes, including sustainable finance access and financial performance. Better ESG reporting associates with higher ROA/ROE, lower perceived risk, and stable investor support. Safaricom's sustainability-linked facilities,

Kakuzi's ESG investments for market access, and Equity Group's climate-aligned lending show how decision-useful ESG data unlocks funding channels and supports resilient business models.

CSRD-aligned practices are therefore increasingly important for sound risk management and long-term growth among NSE firms, but significant gaps remain. Addressing these requires stronger enforcement, clearer roadmaps on double materiality, assurance, digital tagging, and sustained capacity building for smaller issuers.

Practical Recommendations

The paper makes several practical recommendations. For regulators, the CMA and NSE should transition from guidance to gradual requirements on key CSRD-type features, including clearer expectations and timelines for double materiality, minimum assurance levels, and medium-term basic digital tagging. Regular, risk-based compliance reviews and 'apply and explain' reports could focus supervisory attention on high-impact sectors. Regulators should coordinate with the Central Bank of Kenya and NSE to align ESG disclosure expectations with sustainable finance policies.

For firms, priorities include embedding ESG into core strategy and risk management rather than treating it as parallel reporting. NSE-listed companies should strengthen board-level ESG and risk committees, link ESG metrics to existing risk registers, and align internal audit work with key ESG controls. Practical steps include developing simple double-materiality matrices, standardizing stakeholder engagement processes, and investing in reliable data systems for climate, social, and governance indicators. Firms should plan for limited external assurance on material ESG metrics, starting with large issuers.

To address capacity gaps, especially for smaller issuers in agriculture, manufacturing, and services, the CMA, NSE, and industry associations could co-develop sector-specific templates, checklists, and training. Pilot programmes pairing large and small firms, plus partnerships with professional bodies, can accelerate learning. Regulators and lenders should use sustainable finance instruments as positive incentives, rewarding credible, CSRD-aligned reporting.

References

- Agutu, O. J., & Githira, W. C. (2023). Sustainability reporting and financial performance of listed financial firms in Kenya. *Journal of Accounting, Business and Finance Research*, 17(1), 31-42.
- Amos, G. J. (2024). Corporate social and environmental reporting in the mining sector: seeking pragmatic and moral forms of legitimacy? *Journal of Accounting in Emerging Economies*, 14(3), 548-584. <https://doi.org/10.1108/JAEE-05-2021-0152>
- Bonham, J., & Riggs-Cragun, A. (2023). *Contracting on aggregated accounting estimates* (Chicago Booth Research Paper No. 22-04). SSRN. <https://doi.org/10.2139/ssrn.3962557>
- Bategeka, L., Lubega, J. T., & Ssonko, G. W. (2021). Participatory governance and public service delivery in Rwanda: Implications for ESG risk management. *African Journal of Public Administration*, 12(1), 1-18. [Please verify full citation details]
- Botha, A. (2025). *ESG investment in Africa: Case studies driving sustainable growth and impact*. Further Africa. <https://furtherafrica.com/2025/08/01/esg-investment-in-africa-case-studies-driving-sustainable-growth-and-impact/>

- Bowmans Law. (2024). Kenya: Environmental, social and governance (ESG) – Market trends in Kenya [Legal alert]. <https://bowmanslaw.com/insights/kenya-environmental-social-and-governance-esg-market-trends-in-kenya/>
- Central Bank of Egypt (2022) *Sustainable finance guidelines*.
- Central Bank of Kenya. (2021). *Guidance on Climate-Related Risk Management*. Central Bank of Kenya. <https://www.centralbank.go.ke/>
- CMA. (2015). *Code of Corporate Governance Practices for Issuers of Securities to the Public*. Capital Markets Authority, Kenya. <https://www.cma.or.ke/regulatory-framework/#governance>
- CMA. (2020). *Kenya Sustainability Reporting Guidelines*. <https://www.cma.or.ke/regulatory-framework/#governance>
- Council of Institutional Investors (2021). *ESG disclosure in North America*. <https://www.cii.org/>
- Deloitte. (2021). Advancing environmental, social, and governance (ESG) reporting: Digital systems and investor confidence [Report]. Deloitte.
- Donaldson, T. & Preston, L.E. (1995) *The stakeholder theory of the corporation*. Academy of Management Review, 20(1), pp. 65-91.
- Downar, B., Ernstberger, J., Reichelstein, S., Schwenen, S., & Zaklan, A. (2021). The impact of carbon disclosure mandates on emissions and financial operating performance. *Review of Accounting Studies*, 26(3), 1137-1175. <https://doi.org/10.1007/s11142-021-09611-x>
- Dragomir, V. D., Dumitru, M., Chersan, I. C., Gorgan, C., & Păunescu, M. (2025). Double materiality disclosure as an emerging practice: the assessment process, impacts, risks, and opportunities. *Accounting in Europe*, 22(1), 103-140. <https://doi.org/10.1080/17449480.2024.2339264>
- East African Breweries (2024). *Sustainability & responsible business report 2024*. East African Breweries PLC. <https://www.eabl.com>
- Equity Group Holdings (2024). *Equity Group Holdings PLC sustainability report 2024*. Equity Group Holdings PLC. <https://equitygroupholdings.com>
- European Commission. (2022). Corporate Sustainability Reporting Directive (CSRD). European Commission. https://finance.ec.europa.eu/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en
- Freeman, R.E. (1984) *Strategic management: A stakeholder approach*. Boston: Pitman.
- Gerged, A. M., Matthews, L., & Elheddad, M. (2021). Mandatory disclosure, greenhouse gas emissions and the cost of equity capital: UK evidence of a U-shaped relationship. *Business Strategy and the Environment*, 30(2), 908-930. <https://doi.org/10.1002/bse.2661>
- GRI (2022). *GRI 1: Foundation 2021 and GRI standards for sustainability reporting*. GRI. <https://www.globalreporting.org>
- Griffiths, J., Mensah, P., & Zhao, L. (2023). Aligning emerging-market regulations with CSRD principles: Challenges and opportunities [Article].
- Ikapel, O., Tibbs, C. Y., & Nelima, S. (2023). Environmental reporting and manufacturing performance among NSE-listed firms in Kenya. *Journal of Environmental and Business Research*. [Please verify full citation details]
- Inyang, W. S., Okoye, E. I., Adeniyi, S. I., Obeten, O. I., Goodwill, G. F., & Oboh, J. O. (2023). Are corporate social responsibilities to employees and creditors of Nigeria's manufacturing firms enhancing or destroying value? *Res Militaris. Social Science Journal*, 13(3), 1116-1126.

- ISSB. (2023). *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures*. International Sustainability Standards Board, IFRS Foundation. <https://www.ifrs.org/groups/international-sustainability-standards-board/>
- Kakuzi (2024). *Annual report and ESG disclosures 2024*. Kakuzi PLC.
- KenGen. (2024). *Integrated annual report & financial statements 2024*. KenGen. <https://kengen.co.ke>
- Krueger, P., Sautner, Z., Tang, D. Y., & Zhong, R. (2024). The effects of mandatory ESG disclosure around the world. *Journal of Accounting Research*, 62(5), 1795–1847. <https://doi.org/10.1111/1475-679X.12548>
- Lauwo, S. G., De-Clerk Azure, J., & Hopper, T. (2022). Accountability and governance in implementing the Sustainable Development Goals in a developing country context: Evidence from Tanzania. *Accounting, Auditing & Accountability Journal*, 35(6), 1431-1461. <https://doi.org/10.1108/AAAJ-10-2019-4220>
- Li, W.-A., Du, H., & He, F. (2025). Mandatory corporate ESG disclosure and default risk: Evidence from China. *Pacific-Basin Finance Journal*, 89, Article 102578. <https://www.sciencedirect.com/science/article/abs/pii/S0927538X24003305>
- Liu, J., & Xie, J. (2024). The effect of ESG performance on bank liquidity risk: Evidence from Chinese listed banks. *Sustainability*, 16(12), 4927-50. <https://doi.org/10.3390/su16124927>
- Makworo, M. & Kasiva, S. (2021). Sustainable Consumption and Production (SDG 12) in Kenya. *Africa Habitat Review*, 23-32. <http://uonjournals.uonbi.ac.ke/ojs/index.php/ahr/article/view/822>
- Mezzanotte, F. E. (2023). Corporate sustainability reporting: double materiality, impacts, and legal risk. *Journal of Corporate Law Studies*, 23(2), 633-663.
- Ngina, W. K. (2024). *Effect of sustainability reporting on the value of companies listed at the Nairobi Securities Exchange* (Master's thesis). University of Nairobi. <https://erepository.uonbi.ac.ke/handle/11295/166812>
- NSE. (2021). *ESG Disclosures Guidance Manual*. Nairobi Securities Exchange. <https://www.nse.co.ke/sustainability>
- NSE (2025). *Sustainable Finance Centre of Excellence (SFCoE) report 2025*. Nairobi Securities Exchange. <https://www.nse.co.ke/sustainability>
- Ntirandekura, J., Zikusooka, A., & Matovu, F. (2025). Internal controls, governance transparency and financial performance in Uganda's public sector. *East African Journal of Finance and Accounting*. [Please verify full citation details]
- Oraro & Company Advocates. (2022). The critical role of ESG lending in Kenya's financial sector [Legal alert]. <https://www.oraro.co.ke/wp-content/uploads/2023/06/THE-CRITICAL-ROLE-OF-ESG-LENDING-Legal-Alert.pdf>
- Owili, J. D. O., Paul, S. N. A., & Lango, B. (2025). Project Risk Management and Implementation of Integrated Infrastructural Projects in Government Agencies in Kenya. *European Journal of Management, Economics and Business*, 2(2), 159-169.
- Pandisha, H. (2024). Exploring the impact of strategic management practices on the governance of local government authorities: Insights from Mufindi District Council in Tanzania. *NG Journal of Social Development*, 14(2), 242-251. <https://dx.doi.org/10.4314/ngjsd.v14i2.17>
- Peliu, S. A. (2024). Exploring the impact of ESG factors on corporate risk: empirical evidence for New York Stock Exchange listed companies. *Future Business Journal*, 10(1), 92. - <https://doi.org/10.1186/s43093-024-00378-6>

- Próchniak, J., Płoska, R., Zamojska, A., Lepczyński, B., & Cirella, G. T. (2023). Maturity analysis of stock exchanges in Africa: Pre-pandemic sustainability perspective. *Sustainability*, 15(8), 6820. <https://doi.org/10.3390/su15086820>
- Safaricom (2023). Sustainable business report 2023. Safaricom PLC. <https://www.safaricom.co.ke/images/Downloads/Safaricom-2023-Sustainable-Business-Report.pdf>
- Serem, W., Gudda, P., Ombok, M., & Manyaga, C. (2024). Moderating effect of corporate governance on the relationship between social sustainability reporting and firm value: Evidence from the Nairobi Securities Exchange, Kenya. *East African Journal of Business and Economics*, 7(2), 226-240. <https://doi.org/10.37284/eajbe.7.2.2398>
- Sharma, R. (2025). Unveiling the effects of the Corporate Sustainability Reporting Directive (CSRD) on company sustainability reporting practices: A case of German companies. *Sustainability Accounting, Management and Policy Journal*. <https://doi.org/10.1108/SAMPJ-01-2025-0091>
- Sulaiman, U. B., Fadoju, S., & Abdulsalam, N. (2025). Assessment of ESG criteria in financial reporting process: A comparative analysis of Nigeria's and Kenya's selected quoted companies. *Iconic Research and Engineering Journals*, 8(11), 880-887. <https://www.irejournals.com/paper-details/1708494>
- Taylor, T. L., & Collins, S. (2022). *Ingraining sustainability in the next era of ESG investing*. Deloitte. <https://www.deloitte.com/us/en/insights/industry/financial-services/esg-investing-and-sustainability.html>
- Wu, M., & Xie, D. (2024). The impact of ESG performance on the credit risk of listed companies in Shanghai and Shenzhen stock exchanges. *Green Finance*, 6(2), 199-218. <https://doi.org/10.3934/GF.2024008>
- Yang, L., Muller, N. Z., & Liang, P. J. (2021). *The real effects of mandatory CSR disclosure on emissions: Evidence from the greenhouse gas reporting program* (No. w28984). National Bureau of Economic Research.