

# Where ESG Is Taking Shape in Kenya

## — *and What It Signals for Africa*

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In the previous article, we examined the global ESG frameworks that shape how sustainability is measured and disclosed. Those frameworks provide structure. This month, the focus shifts to what is happening in practice.

In Kenya, ESG is no longer confined to reporting — it is increasingly influencing how businesses operate, how risks are assessed, and how capital is allocated. This reflects a broader shift: sustainability issues, particularly climate risk, are no longer peripheral concerns, but core economic factors shaping markets, investment decisions, and long-term growth.

This transition is also being reinforced by regulatory developments. From 2027, sustainability disclosures based on IFRS standards will become mandatory for public interest entities in Kenya — including listed companies, banks, insurers, and pension schemes — with phased implementation expected to extend to other organisations over time. ESG is therefore moving beyond voluntary frameworks into structured, enforceable practice.

The clearest way to understand this shift is to examine where it is already visible. Across key sectors — including finance, agriculture, energy, and land-based carbon markets — sustainability considerations are increasingly shaping real economic decisions. This shift is not uniform. It is unfolding differently across sectors, from how banks assess risk, to how exporters access markets, to how infrastructure and land-based projects are financed and structured.

These sectoral patterns provide a useful indication of how ESG is likely to evolve not only in Kenya, but across African markets more broadly.

## Finance: ESG as Capital in Motion

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In Kenya's financial sector, the clearest way to see ESG in practice is to look at how capital is being directed. With over KES 13 trillion held across banks, pension funds, and insurance companies — nearly three times the size of the national budget — financial institutions are increasingly shaping which projects move forward, and under what conditions.

A growing example is the shift toward using local capital to finance major infrastructure projects through public-private partnerships. When pension funds and domestic institutions invest in ports, roads, and other long-term assets, the focus naturally shifts to governance, accountability, and long-term sustainability. These investors are not simply funding projects — they are asking how those projects are structured, how risks are managed, and how value is created over time.

In this way, ESG is not appearing as a separate requirement. It is embedded in how financial decisions are made — influencing how capital is allocated, how risks are assessed, and how projects are expected to perform over the long term.

### How ESG Appears in Kenya's Financial Sector

What is happening	What it means	ESG element
Local capital (KES 13T+) funding infrastructure (PPP projects)	Investors demand oversight and long-term value	Governance (G)
Pension funds investing in national projects	Public money tied to economic and social outcomes	Social (S)
Long-term infrastructure financing	Focus on sustainability and long-term risk	Environmental (E)

### Agriculture & Exports: ESG as Market Access and Value Capture

In Kenya's agricultural and export sectors, ESG is most visible through access to international markets. For many producers, particularly those supplying European buyers, the ability to meet sustainability standards is no longer optional — it is a condition of doing business.

Exporters of products such as flowers, avocados, and fresh produce are increasingly required to provide information on how their goods are produced, including environmental practices, labour conditions, and supply chain traceability. These requirements are not driven primarily by Kenyan regulation, but by the expectations of international buyers and markets.

However, a shift is beginning to emerge. Recent developments, including the proposed Geographical Indications (GI) Bill, signal a move toward using origin, traceability, and production standards as tools of competitive advantage, not just compliance, strengthening Kenya's position in global trade. By linking products to specific regions and enforcing quality and production standards, Kenya is beginning to use ESG-type principles to protect value, prevent misrepresentation, and capture higher returns for local producers.

*ESG is no longer just a reporting or compliance exercise. It is a commercial requirement — and increasingly, a strategic tool. Producers that cannot demonstrate compliance risk losing access to key export markets, while those that can are better positioned to compete, differentiate, and grow.*

ESG, therefore, is shaping how agricultural businesses operate — not only because markets demand it, but because it is becoming central to how value is created and retained. At the same time, recent disruptions in global fertiliser supply chains have highlighted the vulnerability of agricultural systems that depend heavily on external inputs, reinforcing the need for more resilient and sustainable production models.

### How ESG Appears in Agriculture & Exports

What is happening	What it means	ESG element
European buyers requiring sustainability standards	Access to markets depends on compliance	Governance (G)
Labour and community standards in production	Focus on worker welfare and fair practices	Social (S)
Environmental and farming practices (water, chemicals, land use)	Sustainable production methods required	Environmental (E)

What is happening	What it means	ESG element
Geographic indication (GI) frameworks and origin-based branding	Protection of product identity and value	<b>Governance (G)</b>

## Energy: ESG as Infrastructure and Transition

In Kenya's energy sector, ESG is most visible in how the country is investing in its energy future. The shift toward renewable energy and decentralised systems — including solar projects and mini-grids — reflects a broader move away from traditional, carbon-intensive infrastructure.

This transition is being driven by a combination of factors: the need for reliable and affordable energy, increasing investment in clean technologies, and growing awareness of long-term environmental and climate risks. As a result, capital is flowing toward projects that can deliver sustainable energy over time, rather than short-term solutions.

In this sector, ESG is not framed as a reporting requirement. It is embedded in infrastructure decisions. The choice of energy sources, the structure of investments, and the long-term viability of projects all reflect environmental considerations, social needs around access, and governance around planning and regulation. ESG, therefore, is shaping how the energy system itself is built.

Ongoing projects, such as the planned LNG power plant in Mombasa, illustrate the complexity of this transition. While not fully renewable, such investments are being evaluated as part of a broader shift away from more expensive and higher-emission energy sources, reflecting how cost, reliability, and environmental considerations are increasingly being balanced in energy planning.

### How ESG Appears in the Energy Sector

What is happening	What it means	ESG element
Investment in solar and renewable energy	Shift toward cleaner, lower-carbon systems	<b>Environmental (E)</b>
Expansion of mini-grids and decentralised energy	Increased access to energy for communities	<b>Social (S)</b>
Long-term infrastructure planning and regulation	Structured, regulated investment decisions	<b>Governance (G)</b>

## Carbon Markets & Land: ESG as Economic Opportunity

In Kenya, ESG is also emerging through carbon markets, where sustainability is increasingly treated as an economic asset. Land, forests, and natural ecosystems are no longer viewed only as environmental resources — they are being integrated into carbon credit systems that generate financial value.

This shift is visible in developments such as the Kenya Carbon Registry and the growing number of projects that produce and trade carbon credits. These projects are typically linked to land use and conservation and often include structured benefit-sharing arrangements that return a portion of revenues to local communities.

*ESG is not simply about managing impact. It is about creating value from sustainability itself. Environmental conservation becomes a source of income, social considerations are built into how benefits are distributed, and governance structures are required to ensure transparency and accountability.*

As carbon markets expand, the ability to measure and verify carbon is becoming critical. Advances in remote sensing technologies — including satellite data and LiDAR — are enabling carbon to be monitored at scale, improving accuracy, increasing transparency, and strengthening the credibility of carbon credits.

### How ESG Appears in Carbon Markets & Land

What is happening	What it means	ESG element
Carbon credit projects linked to land and forests	Environmental assets generate financial value	<b>Environmental (E)</b>
Community benefit-sharing (e.g. % of revenue)	Local communities participate in economic gains	<b>Social (S)</b>
Carbon registries and project verification systems	Structured oversight and accountability	<b>Governance (G)</b>

## The Emerging ESG Pattern in Kenya

### How ESG Is Taking Shape Across Sectors in Kenya

Sector	What is Changing	How ESG Shows Up
<b>Finance</b>	Capital is being directed into infrastructure and long-term assets	Capital allocation
<b>Agriculture</b>	Access to export markets depends on sustainability standards	Market access
<b>Energy</b>	Investment is shifting toward renewable and decentralised systems	Infrastructure decisions
<b>Carbon Markets</b>	Land and natural resources are being monetised through carbon credits	Economic opportunity

Across these sectors, a consistent pattern is emerging. ESG is not being adopted in a uniform way, but it is becoming embedded in how decisions are made — whether through capital allocation, market access, infrastructure investment, or the monetisation of natural capital.

What is taking shape in Kenya provides a useful indication of how ESG is likely to evolve across African markets: not as a single framework, but as a set of economic realities that businesses can no longer ignore.