



Green, Social, and Sustainability Bonds in Kenya: Issuer Playbook

Sustainable finance is rapidly gaining traction in Kenya, driven by investor demand for transparency and a regulatory environment (led by the Capital Markets Authority, or CMA) that encourages ESG integration. Green, Social, and Sustainability (GSS) Bonds—collectively known as labeled bonds—offer issuers a strategic advantage: **access to sustainable capital, pricing advantages**, and improved market reputation.

This playbook is a practical guide for Kenyan issuers on structuring GSS bonds, aligning with global standards, and managing the full issuance lifecycle.

1. The Core Framework: ICMA Principles Alignment

The foundation of any credible GSS bond is adherence to the internationally recognized principles published by the International Capital Market Association (ICMA).

Bond Type	ICMA Principle Alignment	Focus of Use of Proceeds
Green Bond (GB)	Green Bond Principles (GBP)	Projects that address environmental challenges (e.g., renewable energy, sustainable land use).
Social Bond (SB)	Social Bond Principles (SBP)	Projects that address social issues (e.g., affordable basic infrastructure, socioeconomic advancement).
Sustainability Bond (SSB)	GBP + SBP	A combination of both green and social eligible categories.
Sustainability-Linked Bond (SLB)	Sustainability-Linked Bond Principles (SLBP)	<i>Not tied to use of proceeds.</i> Pricing (coupon) is tied to the issuer meeting pre-defined Sustainability Performance Targets (SPTs) .

Key Deliverable: The first step (4–8 weeks) is building a **Framework Document** that adheres to the four core components of the relevant ICMA Principles.

2. Eligible Categories and KPI Selection

The credibility of the bond rests on the rigorous definition of eligible projects and metrics.

A. Eligible Green/Social Categories

Issuers must clearly define the **Eligible Categories** for the use of proceeds. These should align with a local or global **taxonomy** (classification system) where available, or be sector-specific.



Sector Focus	Example Eligible Categories (Green)	Example Eligible Categories (Social)
Real Estate/Property	Green buildings (e.g., certified LEED/EDGE), energy efficiency retrofits.	Affordable housing, essential infrastructure (e.g., water/sanitation).
Financial Services	Loans for small-scale solar/renewables, green mortgages.	Financing SMEs in underserved regions, financial inclusion (Fintech).
Agribusiness	Sustainable land management, water-efficient irrigation, biodiversity conservation.	Smallholder empowerment, food security programs, fair trade sourcing.

B. KPI Selection for SLBs (Sustainability-Linked Bonds)

For SLBs, the issuer's key challenge is selecting **Key Performance Indicators (KPIs)** that are:

- **Material:** Directly relevant to the issuer's core business and material ESG issues.
- **Measurable and External:** Verifiable by a third party.
- **Ambitious:** Going beyond business-as-usual and regulatory compliance.

Example KPI: Reducing **GHG Emissions Intensity** (Scope 1 and 2) by X% by 2027.

3. The Second Party Opinion (SPO) Process

A **Second Party Opinion (SPO)** is mandatory to secure market confidence. An SPO is an independent evaluation by an external sustainability consultancy that confirms the Framework's alignment with ICMA Principles.

- **SPO Coordination:** The issuer must select an SPO provider and coordinate the review, which typically runs in parallel with the Framework drafting.
- **Key Deliverable from SPO:** A public document confirming the rigor of the proposed categories, the integrity of the internal governance (how proceeds will be managed), and the ambition of the KPIs/SPTs.

Outcome: A successful SPO is non-negotiable for achieving a credible issuance and is critical for accessing institutional investors. Our process includes **SPO orchestration** and facilitation.

4. Post-Issuance Reporting and Assurance

The final, and ongoing, step is demonstrating that the proceeds were used as promised and that the bond is delivering intended results. This builds market trust and facilitates future issuances.

- **Allocation Reporting:** Annually, the issuer must report on how the net proceeds have been **allocated** (i.e., which projects received the funds). This includes the remaining balance of unallocated funds.
- **Impact Reporting:** This is the most crucial part. The issuer must report on the **environmental and/or social impacts** achieved, using quantifiable metrics.
 - *Green Bond Example:* tCO_2e avoided annually, or total m^2 of green building area certified.
 - *Social Bond Example:* Number of beneficiaries from the affordable housing program, or number of SMEs financed in marginalized areas.



- **External Review:** This reporting is often subject to an annual **Post-Issuance Review** by an external auditor or consultant to verify the use of proceeds and the accuracy of the impact data.

Key Takeaway: A Nairobi-based Real Estate Developer secured a **60 bps pricing advantage vs. conventional debt** after a successful Green Bond issuance that saw 100% of proceeds allocated to green buildings. Successful GSS bond issuance requires robust upfront governance, transparent metrics, and unwavering commitment to post-issuance reporting.