Navigating NSE and CMA ESG Disclosures: A Practical Checklist for Kenyan Issuers

Environmental, Social, and Governance (ESG) reporting is rapidly moving from a voluntary marketing exercise to a mandatory disclosure requirement. For companies listed on the Nairobi Securities Exchange (NSE), adherence to the **NSE ESG Disclosures Guidance** and the **Capital Markets Authority (CMA) Stewardship and ESG Guidance** is critical. This article provides a practical checklist for Kenyan issuers to navigate the scope, timelines, and common pitfalls of these frameworks.

1. Understanding the Scope and Mandate

The Kenyan regulatory landscape for ESG is defined by several key frameworks:

- **NSE ESG Disclosures Guidance:** This provides the core structure and recommended disclosures for listed companies.
- **CMA Stewardship & ESG Guidance:** This framework, alongside the Companies Act and Data Protection Act, emphasizes corporate governance and the integration of ESG factors into investment and management practices.
- **Local Environmental Law:** Compliance with the **EMCA and EIA Regulations (NEMA)** is a foundational requirement for all businesses.

Action Point: Conduct a **Regulatory Compliance Diagnostic** specifically covering Kenyan and EAC frameworks to identify gaps early.

2. The Power of Double Materiality: Focus on What Matters

A common pitfall is treating all ESG issues equally, resulting in "disclosure overload" without decision-useful information. The concept of **Double Materiality** is key to focusing your reporting effort.

Type of Materiality	Focus	Relevance to the Issuer
Financial Materiality	How ESG issues (e.g., climate change, resource scarcity) create **risks and opportunities** that affect the company's enterprise value (e.g., revenue, costs, access to capital).	Primarily for investors and lenders. Aligns with ISSB/IFRS S2.
Impact Materiality	How the company’s operations create **significant impacts** on the economy, people, and the environment (e.g., pollution, labor practices, community displacement).	Primarily for regulators, communities, and consumers. Aligns with GRI.

Materiality Tips:

- Conduct a **Double Materiality Assessment** in 6–10 weeks to identify priority issues based on stakeholder segmentation and a scoring model.
- **Stakeholder Engagement & Grievance Mechanisms** are vital for gathering impact-

related inputs.

3. Practical Checklist and Timelines

☐ Phase 1: Strategy and Data Readiness (8–12 Weeks)

Task	Responsible Team	Deliverable
A. Governance Mapping	Company Secretary, Board	Board and management oversight mapping; draft ESG/Climate Policy.
B. Materiality Assessment	CFO, Company Secretary, IR	Priority issue list; KPI library; governance and role design.
C. Data Baseline	CFO, Operations	**Carbon Footprint (Scopes 1–3)** baseline (6–8 weeks); Energy and water intensity; LTIFR.

☐ Phase 2: Reporting and Assurance Readiness (6–12 Weeks)

Task	Responsible Team	Deliverable
D. Data Model & Controls	CFO, IR, Internal Audit	Data model design; evidence packs; audit trail; governance sign-offs.
E. Disclosure Drafting	IR, Company Secretary	Draft narratives; crosswalk to NSE/CMA and global standards (GRI/ISSB).
F. Final Review	Board, Company Secretary	Board sign-off on disclosures and targets.

Outcome: **Credible, investor-grade disclosures** across standards and markets.

4. Common Pitfalls and How to Avoid Them

Pitfall	How to Avoid
Strategy Stall	Link ESG strategy to **revenue, cost, risk, and reputation levers**. Ensure the roadmap includes **budget and sequencing**.
Greenwashing Risk	Use **auditable methods** and **defensible assumptions** (Evidence-based approach). Design data controls and evidence packs *before* disclosure.
Disconnection from Operations	Implement a full **Environmental and Social Management System (ESMS)** (6–16 weeks) with policies, tools, and training. Operationalize safeguards like contractor management and incident reporting.
Financing Friction	Align E&S safeguards with **IFC Performance Standards (PS) and Equator Principles (EP)**

Pitfall	How to Avoid
	to reduce friction with DFIs and lenders.

5. Sample Key Performance Indicators (KPIs)

CFOs and IR teams should prioritize disclosing metrics that are relevant to their material issues and meet investor scrutiny.

Area	Sample KPIs	Applicable Standards
Climate/Environment	**GHG Emissions (Scopes 1–3) by scope**; Energy and water intensity; Waste diversion and hazardous waste compliance.	IFRS S2, TCFD, SASB
Social/People	**Lost-time incident frequency (LTIFR)**; Gender balance and pay equity; Training hours; Community grievances received/resolved.	GRI, IFC PS, SA8000
Governance/Supply Chain	Board ESG oversight and role design; Supplier audit coverage; Corrective action closure rate.	CMA Guidance, UNGPs

By adopting an **Implementation-first** and **Materiality-led** approach, Kenyan issuers can ensure their ESG disclosures meet regulatory expectations and drive tangible business value.