

Decoding ESG Frameworks for Busy Executives

In Article 1, we introduced ESG as a concept — the language, the drivers, and why boards can no longer afford to ignore it. But understanding ESG in principle is only the first step. The next challenge is navigating the frameworks that now define how sustainability is measured, disclosed, and assessed globally.

For many organisations, this is where the conversation becomes unclear. Multiple frameworks exist, often using different terminology and focusing on different priorities. At first glance, they can appear overlapping, technical, and difficult to apply in practice.

In reality, these frameworks are not competing systems. They are structured tools designed to answer specific questions — about impact, risk, and disclosure. Understanding how they fit together is what allows boards and decision-makers to move from awareness to action.

THIS MONTH, WE FOCUS ON THE FOUR GLOBAL FRAMEWORKS SHAPING ESG REPORTING TODAY, AND HOW TO APPROACH THEM IN A PRACTICAL AND COHERENT WAY.

Over the past decade, ESG reporting developed through a range of independent frameworks, each designed to address a specific concern — from environmental impact to investor risk and climate disclosure. While these frameworks were valuable, they also created fragmentation. Companies faced overlapping reporting requirements, and investors struggled to compare ESG performance across organisations.

In response, the global ESG landscape has begun to consolidate. At the centre of this shift is the **International Sustainability Standards Board (ISSB)**, established by the IFRS Foundation to develop a global baseline for sustainability disclosure focused on investors.

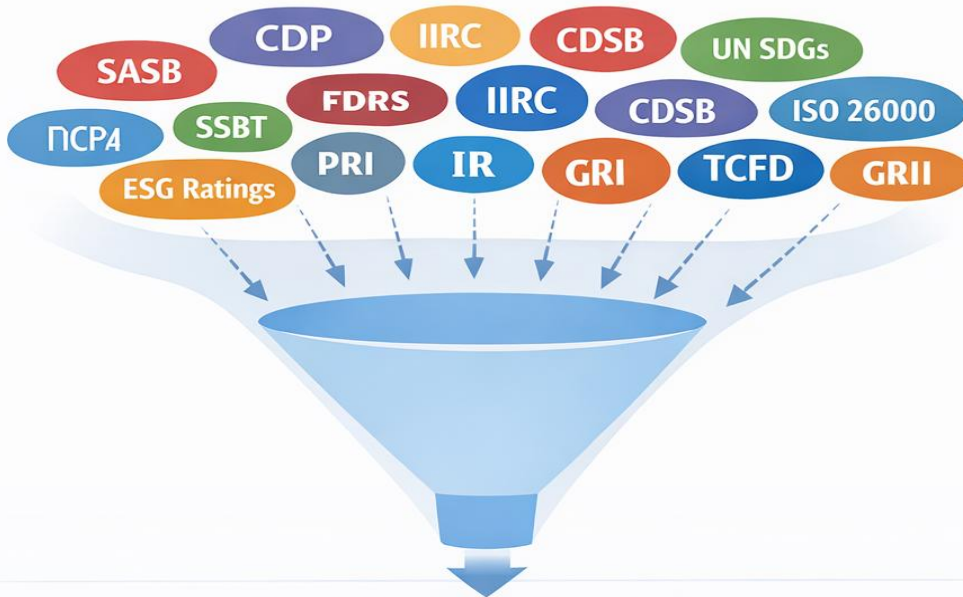
The objective is not to eliminate diversity, but to bring clarity, comparability, and reliability to sustainability information across markets. Under this emerging structure, a smaller set of frameworks now serve distinct but complementary roles: **the Global Reporting Initiative (GRI) focuses on impact, the IFRS Sustainability Standards (issued by the ISSB) focus on investor-relevant financial disclosure, and the TCFD framework — now incorporated into IFRS — provides the foundation for climate-related risk reporting. Regulatory regimes such as the EU's Corporate Sustainability Reporting Directive (CSRD) build on these frameworks to create mandatory disclosure systems.**

This shift reflects a broader transition — ESG is moving from narrative reporting to structured, decision-useful information. The consolidation of ESG frameworks is therefore not about simplification for its own sake, but about making sustainability information credible, comparable, and financially relevant. At first glance, these frameworks can feel overwhelming. They use different language, focus on different issues, and are often presented as competing systems. In practice, they are not. Each framework is designed to answer a specific question — about impact, risk, or disclosure. Understanding how they fit together, and the central role of the ISSB in setting a global baseline, is what allows boards to navigate ESG without getting lost in technical detail.

From ESG Fragmentation to Global Standards

Multiple frameworks created complexity and confusion

Early ESG Frameworks



Consolidated Global Standards



The Global Reporting Initiative (GRI) is the most widely used sustainability reporting framework globally, and it is the one most commonly adopted in Kenya. Its focus is straightforward: it helps organizations explain their impact on the world — on the environment, on people, and on society. If a board wants to answer the question, “*What is our business actually doing to the world around us?*”, GRI is the starting point. It is impact-focused, outward-looking, and designed to make companies accountable to a broad range of stakeholders.

A useful illustration is the **Co-operative Bank of Kenya**, whose ESG reporting is aligned with the Global Reporting Initiative (GRI) standards. The report sets out the bank’s environmental, social, and governance impacts — from community investment to climate-related risks — and links them directly to how the business creates long-term value. It also aligns its sustainability initiatives with the United Nations Sustainable Development Goals (SDGs), demonstrating how local operations can be connected to broader global development priorities.

The IFRS Sustainability Disclosure Standards (S1 and S2) shift the focus from impact to financial relevance. Developed by the International Sustainability Standards Board (ISSB), they are designed to help companies disclose the sustainability risks and opportunities that affect their financial performance. If GRI answers the question, “What is our impact on the world?”, IFRS answers a different one: “**How do environmental and social issues affect our business, our strategy, and our long-term value?**” S1 provides a general framework for sustainability-related disclosures, while S2 focuses specifically on climate-related risks, building on the earlier TCFD recommendations. Increasingly, this is the language investors expect.

Unlike impact-focused reporting, IFRS-style disclosures are already visible in financial institutions operating in Kenya, where sustainability-related risks are increasingly treated as financial risks affecting lending, capital allocation, and long-term strategy. In practice, this investor-focused approach is evident within the banking sector. Institutions such as **Stanbic Bank, as part of the Standard Bank Group**, are integrating environmental, social, and governance considerations into their broader risk management and financial frameworks, reflecting the growing alignment between sustainability and financial disclosure.

The Task Force on Climate-related Financial Disclosures (TCFD) focuses specifically on climate risk. It provides a structured approach for organisations to disclose how climate change affects governance, strategy, risk management, and performance metrics. In practical terms, TCFD has reframed climate change from a corporate social responsibility issue into a core financial risk that boards are expected to understand and manage. A practical example can be seen in the **Standard Bank Group**, which publishes climate-related financial disclosures aligned with TCFD recommendations. As part of this group, institutions such as Stanbic Bank Kenya operate within a framework that integrates climate risk into governance, strategy, and risk management, consistent with both TCFD principles and emerging regulatory expectations.

The Corporate Sustainability Reporting Directive (CSRD) represents a shift from voluntary frameworks to mandatory regulation. Introduced by the European Union, it requires large companies, and certain non-EU companies with European operations, to disclose detailed and standardised sustainability information. Unlike earlier frameworks, CSRD applies the concept of double materiality, requiring organisations to report both on how sustainability issues affect their financial performance and how their activities impact the environment and society.

For companies outside Europe, including those in Kenya, its significance is increasingly felt through both corporate structures and supply chains. Multinational groups such as **Diageo**, which are subject to evolving sustainability disclosure requirements, extend these obligations across their global operations, with subsidiaries such as **East African Breweries Plc (EABL)** contributing to group-level reporting. At the same time, Kenyan exporters — particularly in the horticulture sector, including flower producers supplying European retailers — are being required to provide detailed information on emissions, resource use, labour practices, and traceability as part of their commercial relationships.

In both cases, companies may not be directly regulated by EU law, but they are operating within CSRD-aligned expectations as a condition of market access or group compliance. CSRD therefore signals a broader direction of travel: sustainability disclosure is moving from voluntary reporting

toward regulated, standardised, and enforceable requirements, with effects that extend well beyond Europe.

From Frameworks to Practice

The question for boards is no longer which framework to adopt in isolation. It is whether the organisation understands its impact, its risks, and its responsibilities well enough to disclose them clearly and consistently. The frameworks provide structure — but the substance must come from within. In practice, the market is beginning to reflect two distinct approaches: companies that focus on reporting impact, and those that integrate sustainability into financial risk and strategy. The frameworks do not compete — they reflect this distinction.

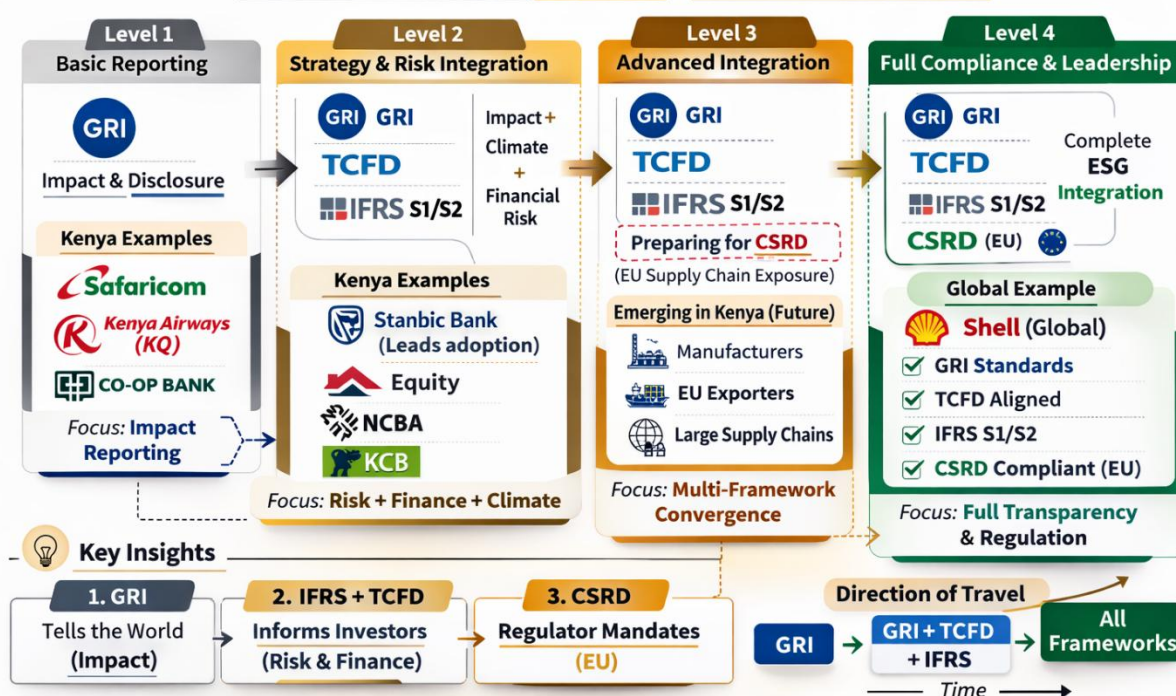
Leading organisations are therefore not choosing a single framework. They are combining them — using GRI for impact reporting, TCFD for climate risk, and IFRS standards for financial disclosure — while regulatory frameworks such as CSRD shape how this information is ultimately presented. Across the Kenyan market, this shift is emerging gradually. Companies are beginning to adopt elements of multiple frameworks, although full integration remains limited.

The Nairobi Securities Exchange (NSE) ESG Disclosure Guidance Manual provides the practical bridge between global frameworks and the Kenyan market. It draws on international standards such as GRI, while incorporating local priorities, and requires listed companies to report annually on defined ESG topics, including governance, risk management, stakeholder engagement, and regulatory compliance. Importantly, it introduces a materiality approach, requiring companies to identify and prioritise the ESG issues most relevant to their operations.

Alongside this, many of the underlying ESG principles are already embedded in Kenyan law. The Constitution establishes environmental rights (Article 42), supported by State obligations under Article 69 and enforcement mechanisms under Article 70. Statutory frameworks such as EMCA, the Companies Act (2015), and the Capital Markets governance regime impose direct obligations on businesses, including environmental compliance, governance oversight, and responsible conduct.

ESG Frameworks & Company Adoption in Practice (Kenya & Global)

From Reporting to Strategy to Regulation – The ESG Maturity Ladder



ESG as an Investment Lens

What does this mean in practice? For investors and boards, understanding these frameworks — and the distinction between reporting-led and strategy-led approaches — provides a new lens through which to evaluate companies. A company that focuses only on reporting its impact may demonstrate transparency and strong stakeholder awareness. A company that integrates sustainability into its financial and risk systems may be better positioned to manage long-term uncertainty, particularly in sectors exposed to climate and regulatory change.

Neither approach is inherently superior. The real question is alignment: does the company's ESG approach match its business model, its risk exposure, and its long-term strategy? Over time, the market is likely to reward those that move beyond disclosure into integration.

For anyone investing in stocks and shares, this distinction offers a practical tool — not just to read sustainability reports, but to interpret them, compare companies more intelligently, and identify which organisations are built to endure.

