DETERMINANTS OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORTING COMPLIANCE BY COMPANIES LISTED ON THE NAIROBI SECURITIES EXCHANGE

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REG NO 94102

MASTER OF COMMERCE

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DECLARATION AND APPROVAL

I declare that this work has not been previously submitted and approved for the award of a degree by this university or any other university. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

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ABSTRACT

This study examined the determinants of Environmental, Social, and Governance (ESG) reporting disclosure compliance by the sixty-three (63) companies listed on the Nairobi Securities Exchange (NSE) in the year 2022. Given the increasing global emphasis on sustainable business practices, understanding the factors influencing ESG reporting compliance in Kenya's corporate sector is crucial. The study aimed at assessing the level of ESG disclosure compliance by the NSE-listed companies, evaluate the impact of firm size and profitability on ESG disclosures, and analyze the relationship between regulatory pressure and ESG reporting compliance. Using a positivist research philosophy, the study employed a cross-sectional research design and panel data regression models, drawing data from 2022 ESG reports of NSE-listed firms. A census approach was used, ensuring comprehensive coverage of the study population. The findings revealed moderate ESG reporting compliance among NSE-listed companies. Firm size and profitability were significantly correlated with higher ESG reporting compliance. However, regulatory pressure was found to have an insignificant effect on ESG reporting compliance, indicating weak enforcement mechanisms in Kenya. The study concluded that while ESG reporting compliance is improving, regulatory frameworks need strengthening to ensure more consistent adherence. It recommended enhancing enforcement mechanisms, building institutional capacity for better monitoring, and incentivizing firms to exceed minimum compliance standards. Strengthening stakeholder engagement and fostering industry collaboration were also key strategies for improving ESG disclosure in Kenya. However, the study was limited by its reliance on secondary ESG data, which may not fully capture qualitative aspects of compliance practices and excluded unlisted firms that could provide broader insights into Kenya's corporate sustainability landscape.

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LIST OF ABBREVIATIONS AND ACRONYMS

AI	:	Artificial Intelligence
AR	:	Augmented Reality
CDM	:	Clean Development Mechanism
CEO	:	Chief Executive Officer
CMA	:	Capital Markets Authority
CSR	:	Corporate Social Responsibility
EABL	:	East African Breweries Limited
ESG	:	Environmental, Social, and Governance
FiRe	:	Financial Reporting Excellence
GRI	:	Global Reporting Initiative
IFRS	:	International Financial Reporting Standards
IoT	:	Internet of Things
IR	:	Integrated Reporting
ISSB	:	International Sustainability Standards Board
NGOs	:	Non-Governmental Organizations
NSE	:	Nairobi Securities Exchange
SASB	:	Sustainability Accounting Standards Board
SDGs	:	Sustainable Development Goals
SR	:	Sustainability Reporting
UN	:	United Nations

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DEDICATION

Lovingly dedicated to my parents, Basil Christian Tulesi and Jenipher Khavai Makunda.

CHAPTER 1: INTRODUCTION

1.1 Background of the Study

Environmental, Social, and Governance (ESG) disclosure, the process through which organisations report on their sustainable business initiatives, has gained significant traction in the corporate world due to an increasing paradigm shift toward sustainability (Zumente & Bistrova, 2021). ESG reporting is a valuable tool that firms can leverage to gain a competitive market advantage by showcasing their sustainability practices, ethical considerations, and corporate structures, thus influencing investor confidence, ensuring regulatory compliance, and enhancing brand image (Martiny et al., 2024). Mohammad and Wasiuzzaman's (2021) study of the tripartite relationship between ESG disclosure, competitive advantage, and firm performance in Malaysia reveals that organisations that invest in ESG reporting exhibit better market performance than their non-disclosing counterparts. However, the research findings indicate a negative relationship between ESG disclosure and competitive advantage. This finding suggests that costly ESG reporting compliance requirements can significantly reduce a company's short-term profitability, hindering its sustainable competitive advantage. Additionally, extensive ESG reporting may expose a firm's strategic resources to market rivals, minimizing differentiation and weakening its market position. Therefore, ESG disclosure is a double-edged sword with benefits and shortcomings depending on its underpinning regulatory requirements and mode of implementation.

While organisations globally continue to experience pressures from various stakeholder constituencies, including regulators, investors, and environmentally-conscious consumers to enhance their ESG disclosures, notable regional disparities in compliance levels still persist. Zumente and Bistrova (2021) note that some companies, even in developed markets like Europe, struggle to integrate ESG practices into their mainstream business strategies. In Africa, ESG is still an emerging concept underpinned by regulatory frameworks, which are incrementally unfolding to align with international standards and industry best practices. Nonetheless, Matemane et al. (2024) observe that many African firms increasingly embrace ESG practices, embedding the necessary environmental, social, and governance considerations into their corporate governance cultures. However, the compliance levels still vary significantly across the continent. For instance, South Africa has emerged as one of the leaders in ESG advocacy, with the government implementing initiatives, such as the King III Code of Corporate Governance, encouraging firms to report their social and environmental practices (Igwe et al., 2023).

Several factors influence the varying levels of ESG adoption across Africa, including the scope of existing regulatory frameworks, resource constraints, established reporting standards, and perceived benefits. For instance, firms considering ESG reporting as a strategic tool voluntarily adopt the practices (Martiny et al., 2024). Conversely, countries with weak regulatory environments, a lack of standardised ESG reporting protocols, and effective enforcement mechanisms often exhibit low compliance rates (Handoyo & Anas, 2024). Kenya has made notable progress in fostering an ESG disclosure culture in the corporate sector, with the Nairobi Securities Exchange (NSE) mandating firms to report their sustainability practices to ensure corporate accountability (NSE, 2021). However, despite these regulatory efforts, firms listed in the NSE still showcase considerable inconsistencies in their ESG reporting practices. Saka's (2024) study established that the ESG reporting compliance level among NSE-listed companies stood at 57%, highlighting possible limitations in adherence to the necessary ESG considerations. The study attributed this phenomenon to factors such as inconsistent regulatory enforcement, varying internal capacities, and stakeholder expectations. However, Saka’s (2024) study, which merely measured disclosure using what is suggested for the different classes of companies, did not use the standard disclosure checklist adopted in the present study. Consequently, this study employs a more appropriate method to investigate the factors influencing ESG disclosures and compliance among NSE-listed companies, focusing on key drivers, such as profitability, firm size, and regulatory pressure.

1.1.1 Level of ESG Reporting and Compliance

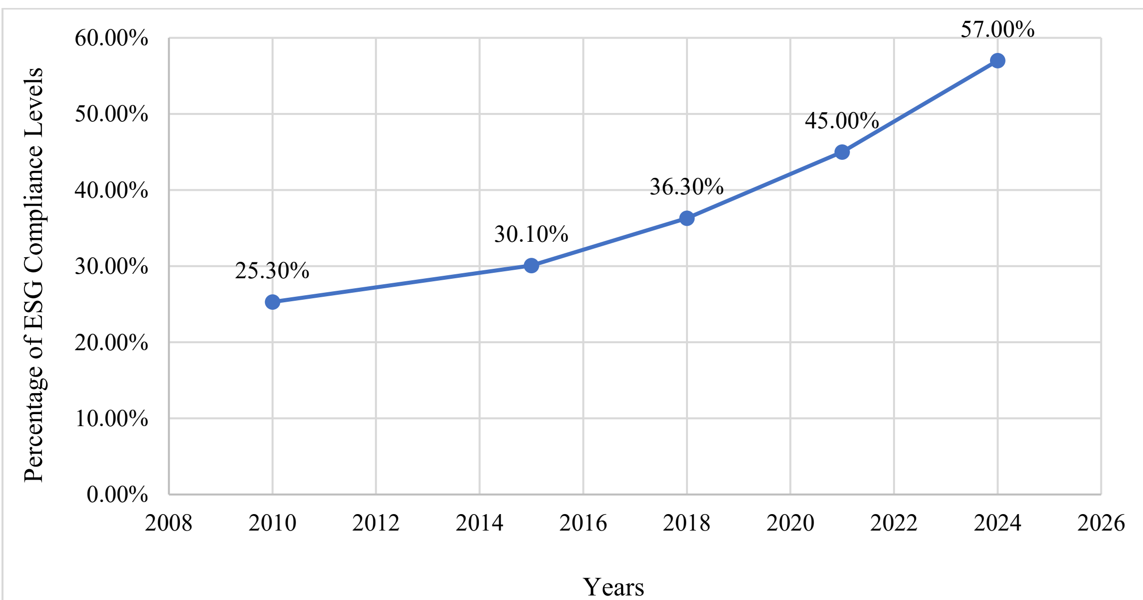
ESG reporting in Kenya has transitioned from being a differentiation tool voluntarily utilised by enterprises to gain a competitive advantage to a structured regulatory requirement for publicly traded companies. Historically, established market players, such as East African Breweries Limited (EABL), willingly disclosed their social and environmental initiatives to portray themselves as responsible corporate citizens and appeal to their target consumers (EABL, 1999). However, such gestures were often irregular due to a lack of a standardised disclosure framework for listed firms, resulting in inconsistent ESG reporting quality. In 2003, KenGen advanced ESG reporting by launching the Clean Development Mechanism (CDM), expanding renewable energy investments, and enhancing corporate governance (KenGen, 2024). KPLC followed suit in 2004 by implementing sustainability initiatives, including rural electrification, environmental conservation, and governance transparency, setting the stage for corporate sustainability in Kenya's energy sector. Hence, in 2020, the Capital Markets Authority (CMA) sought to address this lacuna by creating the Kenya Sustainability Reporting Standards (KSRS) to guide ESG disclosure among NSE-listed companies (Khakayi, 2023). The KSRS framework requires publicly traded companies to disclose their ESG performance, including specific indicators like water use, energy consumption, waste management, and corporate social responsibility (CSR) initiatives. The CMA also created a Dashboard in 2020 to showcase the ESG performance of NSE-listed companies.

ESG reporting in Kenya was further enhanced in 2021 when the NSE developed the Nairobi Securities Exchange ESG Disclosures Guidance Manual (ESG DGM), mandating listed firms to disclosure their ESG performance for fiscal years ending on or after December 31, 2022 (NSE, 2021). The manual defines the overarching aim of ESG disclosure and outlines the necessary compliance requirements for NSE-listed firms. Notably, ESG reporting is intended to foster more transparent and sustainable corporate practices, contributing significantly to the achievement of the United Nations (UN) sustainable development goals (SDGs) (Muigua, 2022). However, publicly listed companies in Kenya continue to face challenges in full compliance despite the ESG measures put in place by the regulatory bodies. It is still unclear whether NSE-listed firms should disclose their ESG performance through their annual reports or publish standalone reports showcasing their sustainability practices.

Extant statistics suggest varying ESG reporting compliance levels among NSE-listed companies. For instance, in their study of agency and institutional-related factors of sustainability reporting in Kenya, Injeni et al. (2022) observed a notable rise in ESG disclosures from 25.3% in 2010 to 36.3% in 2018. Saka (2024) confirmed the rising trend, reporting that the ESG reporting compliance level among NSE-listed firms in 2024 stood at 57%. Regulatory reforms, investor expectations, enhanced board diversity, and evolving market trends are notable drivers for the upward trend. However, recent studies suggest that full compliance among NSE-listed companies remains a mirage, warranting further scholarly investigations to ascertain factors influencing ESG reporting among publicly traded firms in Kenya.

To illustrate the evolution of ESG reporting compliance among NSE-listed firms, available and estimated data indicates a gradual yet steady increase in disclosure rates over time (see Figure 1.1). According to Injeni et al. (2022), ESG reporting rose from 25.3% in 2010 to 36.3% in 2018. More recently, Saka (2024) noted that by 2024, ESG reporting compliance had reached 57%, reflecting the cumulative impact of regulatory reforms, market expectations, and investor pressure.

Figure 1.1: ESG reporting compliance Levels among NSE-Listed Companies (2010–2024).



Source: (Researcher, 2025).

1.1.2 ESG reporting compliance Among NSE-Listed Companies

Comprehending the factors influencing ESG reporting compliance among NSE-listed firms is crucial for addressing existing limitations and fostering corporate sustainability reporting. The literature identifies various influencing factors, categorizable into six main groups, including regulatory and legal requirements, market-driven variables, governance-related aspirations, stakeholder influences, technological advancements, and cultural trends (Paredes-Gazquez et al., 2014). There are several regulatory and legal drivers for ESG reporting and compliance, including government policies, stock exchange ESG requirements, and international sustainability standards and frameworks, such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and IFRS Sustainability Standards (ISSB) (Bais et al., 2024). On the other hand, stakeholder influences may entail investor expectations and shareholder activism (Baloria et al., 2019), consumer pressure (Reichheld et al., 2023), media scrutiny (Hanson & Sharpe, 2025), and civil society advocacy (Crapa et al., 2024).

Notable corporate governance influences and a firm's internal factors potentially driving ESG reporting and compliance include board composition, Chief Executive Officer (CEO) compensation linked to sustainability reporting goals and pro-sustainability corporate culture. For instance, companies with more diverse and sustainability-conscious boards are more likely to invest in ESG reporting (Zhu et al., 2024). Additionally, firms that peg CEO compensation on ESG performance tend to motivate their top executives to foster ESG reporting compliance, while those with ethical organisational cultures exhibit proactive sustainability reporting practices (Ajay et al., 2024). Industry-specific factors and technological advancements may also compel firms to report their ESG performance. For example, companies operating in ecologically sensitive markets, such as mining, energy, and manufacturing, are often under more pressure to showcase their sustainability initiatives. On the other hand, the increasing digital transformations, characterised by cutting-edge technologies, such as artificial intelligence (AI), robotics, the Internet of Things (IoT), blockchain, augmented reality (AR), and big data analytics, enhance the transparency and accessibility of ESG reporting (Zhang & Huang, 2024). Furthermore, organisations with robust CSR cultures proactively disclose their sustainability practices. ESG disclosure and compliance among publicly traded companies is a function of multifaceted influences.

Despite the breadth of literature on ESG reporting compliance drivers, the empirical evidence reveals inconsistencies in the significance and direction of influence for various determinants across regions and sectors. For instance, while Buallay (2019) and Hill (2020) identify profitability and size as strong predictors of ESG reporting, other scholars contend that their impact may vary depending on industry characteristics, national governance quality, and stakeholder expectations. These discrepancies signal a lack of consensus in existing literature, particularly within emerging markets. Additionally, most prior studies predominantly focus on developed economies, leaving a notable gap in contextual understanding of ESG reporting compliance dynamics in sub-Saharan African capital markets such as Kenya's Nairobi Securities Exchange (NSE). There is a dearth of country-specific evidence assessing how firm-level factors like size and profitability interact with local regulatory environments to influence ESG reporting compliance. This gap underlines the relevance of the current study, which centers on NSE-listed companies and aims to bridge the knowledge divide by offering insights grounded in the Kenyan context.

This study adopts firm size, profitability, and regulatory pressure as the drivers of interest because their direct impact on ESG reporting and compliance is underpinned by robust empirical support, as evident in existing literature (Buallay, 2019; Hill, 2020; Alessa et al., 2024). Large firms are likelier to exhibit high ESG reporting and compliance levels because they have more resources and incentives to disclose their sustainability initiatives (Zumente & Bistrova, 2021). Additionally, these companies are often subjected to greater scrutiny from industry stakeholders, including regulators, investors, consumers, and the media, compelling them to enhance their ESG performance. On the other hand, profitable enterprises are more likely to invest in sustainability reporting initiatives than loss-making ones, which may struggle with compliance due to budgetary constraints (Hill, 2020). Further, NSE's ESG disclosure guidelines, such as the ESG DGM, potentially influence mandatory reporting among listed companies. Furthermore, shareholders and external stakeholders, such as customers, financiers, Non-Governmental Organizations (NGOs), and the media, often exert substantial pressure on firms to improve their sustainability reporting practices (Buallay, 2019).

Although some researchers argue that variables like profitability and firm size should be treated as control variables, this study deliberately positions them as independent variables based on their theoretical and empirical relevance. According to Webb (2017), control variables are typically not the central interest of the researcher. However, this study explicitly examines how firm size, profitability, and regulatory pressure affect ESG reporting compliance, thereby justifying their treatment as independent variables. Furthermore, studies by Thomas et al. (2020) and Hill (2020) substantiate the argument that in developing economies, firm-specific financial indicators are primary determinants of ESG behavior. Thus, positioning them as core predictors in the current study not only reflects methodological appropriateness but also fills a conceptual gap by realigning the academic debate within the context of emerging markets like Kenya.

1.1.3 ESG Reporting Among NSE-Listed Companies

Over 60 companies operating in various sectors, including agriculture, banking, automobiles and accessories, commercial services, construction and allied, energy and petroleum, insurance, investment and investment services, manufacturing and allied, telecommunications and technology, real estate, and exchange-traded fund (see Appendix I) are currently listed on the NSE. While the levels of compliance among these publicly traded firms have notably improved recently, they still face challenges in ensuring full compliance. Injeni et al. (2021) note that even though some enterprises have integrated sustainability reporting into their corporate governance frameworks, others struggle due to resource constraints, lack of skilled human resources, and unclear regulatory frameworks. Nonetheless, Saka's (2024) research finding of a compliance level of 57% suggests notable progress but also highlights room for improvement. The current state of ESG reporting compliance among NSE-listed companies warrants enhanced regulatory enforcement, active stakeholder engagement, and continued capacity-building to enhance the quality of sustainability reporting. The consequences of non-ESG reporting compliance for publicly traded ventures may be substantial in the long term, including reputational damage, regulatory penalties, and investor divestment. Therefore, the perceived corporate benefits of ESG reporting and the costs associated with non-compliance necessitate an empirical understanding of the factors influencing NSE-listed companies to report their sustainability performance and how to improve the existing mechanisms.

1.2 Statement of the Problem

Integrating ESG reporting into the regulatory framework for NSE-listed companies presents a significant challenge. Despite the introduction of the NSE's ESG DGM in 2021, compliance levels among listed firms remain low and inconsistent. The manual offers broad reporting principles but lacks detailed, enforceable standards for ESG disclosures, creating ambiguity and varied compliance interpretations (NSE, 2021). Additionally, firms must align with the GRI Standards and other local regulatory directives, which complicates data collection, verification, and reporting processes. These challenges raise concerns about the transparency, comparability, and credibility of ESG reports submitted by NSE-listed companies. The lack of clear and enforceable ESG disclosure standards leads to inconsistent reporting practices, which undermine the effectiveness of ESG integration into corporate strategy and decision-making.

According to the 2022 Financial Reporting Excellence (FiRe) Award Competition, no NSE-listed company achieved full ESG reporting compliance, and only 28% demonstrated satisfactory alignment with the ESG DGM guidelines (Injeni et al., 2022). Moreover, a review of ESG disclosures from 2019 to 2023 reveals a stagnation in compliance trends, with minimal improvement observed across most sectors, especially among small and mid-sized firms. This situation contrasts sharply with emerging peers such as South Africa, where over 70% of Johannesburg Stock Exchange-listed companies align with King IV ESG principles (IRCSA, 2023), and Nigeria, which has made significant strides following the Nigerian Exchange’s 2021 ESG Disclosure Guidelines. Trends drawn from the NSE's sustainability index reports and the FiRe Award assessments show that Kenya lags behind other Sub-Saharan African markets in ESG reporting. This disparity emphasizes the urgency of identifying the barriers to ESG reporting compliance in the Kenyan context.

Whereas existing literature indicates that firm size, profitability, and regulatory pressure play a pivotal role in influencing ESG reporting and compliance (Zumente & Bistrova, 2021; NSE, 2021; Hill, 2020; Buallay, 2019), there remains a significant empirical gap regarding how these factors specifically influence ESG reporting practices among NSE-listed companies in the Kenyan context. Moreover, a review of corporate sustainability disclosure practices in Kenya reveals persistent financial and non-monetary reporting challenges among publicly traded firms (Muigua, 2022; Khakayi, 2023). The 2022 Financial Reporting Excellence (FiRe) Award Competition established that no NSE-listed company attained full ESG reporting compliance (Injeni et al., 2022), raising concerns about their adherence to sustainability reporting requirements. Previous studies indicate that while the adoption of Integrated Reporting (IR) and Sustainability Reporting (SR) frameworks among listed companies in Kenya is on the rise, ESG reporting and compliance mechanisms remain inconsistent (Khakayi, 2023). Additionally, there is limited empirical evidence on how firm-specific drivers and external influence compel NSE-listed firms to engage in sustainability reporting practices.

This problem is particularly relevant given the growing investor, consumer, and regulatory demand for responsible business conduct and sustainable value creation. As global capital markets increasingly integrate ESG indicators into investment decisions, Kenyan firms risk losing competitiveness and access to international funding if ESG reporting compliance remains weak. Moreover, the Nairobi Securities Exchange serves as a critical barometer of Kenya's economic performance; hence, understanding the determinants of ESG reporting compliance within this platform is essential for promoting corporate accountability, transparency, and long-term economic resilience.

This study addresses the contextual gap by examining the influence of firm size, profitability, and regulatory pressure on ESG reporting compliance among NSE-listed companies. By assessing the influences of these three predictors on the dependent variable (the level of ESG reporting compliance), the study hopes to generate valuable insight into the factors shaping ESG disclosure in Kenya, informing effective policy, regulatory, and corporate decision-making. The findings will not only bridge existing empirical and policy gaps but also support the formulation of evidence-based strategies to enhance corporate governance and sustainability performance in Kenya. In addition to responding to empirical gaps, this study seeks to benchmark Kenya's ESG disclosure progress against regional and global ESG reporting trends, thereby offering a comparative lens that can inform more localized and scalable ESG reporting compliance frameworks. The research findings are expected to contribute to refining the existing ESG frameworks, strengthening the current enforcement mechanisms, and improving the quality of corporate sustainability reporting in Kenya, ultimately enhancing the market performance of publicly traded companies in the country. In this way, the study will have practical implications for policymakers, regulators, investors, and corporate leaders seeking to align Kenya's capital markets with international sustainability and governance standards.

1.3 Objectives of the Study

1.3.1 General Objective

The overarching aim of this study is to examine the effect of four key drivers, namely: firm size, profitability, and regulatory pressure, on ESG disclosure and compliance among NSE-listed companies.

1.3.2 Specific Objectives

The study seeks to achieve the following specific objectives:

1. To assess the effect of firm size on ESG disclosure levels among publicly traded companies in Kenya.
2. To analyse the influence of firm profitability on the extent of ESG disclosures among NSE-listed companies.
3. To evaluate the effect of regulatory pressure on ESG reporting compliance among NSE-listed companies.

1.4 Research Questions

The study sets out to answer the following questions:

1. How does firm size affect ESG disclosure levels among publicly traded companies in Kenya?
2. To what extent does firm profitability influence ESG disclosures among NSE-listed companies?
3. What is the relationship between regulatory pressure and ESG reporting compliance among NSE-listed companies?

1.5 Scope of the Study

This study's scope is limited to examining the effects of firm size, profitability, and regulatory pressure on ESG disclosure and compliance among NSE-listed companies. It examines the extent to which publicly traded firms adhere to established ESG reporting requirements and identifies inherent challenges for full compliance. Thus, the study only analyses data relating to the companies listed on the NSE, discussing the research findings and comparing them with relevant secondary data. The target population included all 63 companies listed on the Nairobi Securities Exchange (NSE) as of December 31, 2022 (Nairobi Securities Exchange, 2022). The study adopted a census approach to cover the entire population of listed firms, ensuring comprehensive insights and eliminating sampling bias. Furthermore, the period of investigation spaned from 2019 to 2023, enabling the analysis of ESG disclosure trends over time and providing a contextual understanding of compliance developments before and after the introduction of the NSE ESG Disclosures Guidance Manual in 2021.

1.6 Significance of the Study

This study is expected to generate valuable insights into the compliance of NSE-listed companies with ESG reporting requirements. It offers an in-depth comprehension of how firm size, profitability, and regulatory pressure affect ESG disclosures and compliance among publicly traded companies in Kenya, benefiting various stakeholder constituencies, including policymakers, regulatory bodies, businesses, and academics.

1.6.1 Policymakers

The study will equip policymakers with empirical evidence on the key drivers of ESG reporting compliance among NSE-listed firms, enabling them to design targeted interventions that promote transparency, accountability, and sustainable investment practices. By bridging the knowledge gap on firm-level determinants of ESG reporting compliance, policymakers can craft more responsive sustainability frameworks tailored to Kenya's evolving corporate landscape.

1.6.2 Regulatory Bodies

Insights from this study will support regulatory institutions such as the Capital Markets Authority (CMA) and the NSE in refining enforcement mechanisms and reporting standards. Given the current lack of empirical clarity on the role of regulatory pressure in ESG adoption, the study's findings will help regulators identify areas requiring stricter monitoring, capacity building, and incentive structures to enhance compliance.

1.6.3 Businesses and Organisations

For companies and industry associations, the study provides evidence-based guidance on how organizational characteristics, such as firm size and profitability, affect ESG performance. By addressing the existing research gap on internal firm dynamics influencing sustainability reporting, businesses can benchmark their practices, strengthen disclosure processes, and align more effectively with global ESG frameworks.

1.6.4 Researchers and Academics

This research contributes to scholarly literature by filling the empirical void on ESG reporting compliance determinants in emerging markets, particularly in Sub-Saharan Africa. It expands academic understanding by contextualizing the interaction between firm-specific and regulatory factors, offering a foundation for future studies on sustainable finance, corporate governance, and ethical investment.

1.7 Chapter Summary and Thesis Outline

While ESG reporting compliance levels among NSE-listed companies have been increasing in recent years, challenges impeding full compliance persist, prompting an empirical assessment of the impact of firm size, profitability, and regulatory pressure on ESG disclosures and compliance among publicly traded firms. This chapter provides the background of the study, describes the research problem, and highlights the specific objectives and questions that the study seeks to achieve and answer, respectively. The rest of the thesis is organised into five additional chapters. Chapter two reviews relevant theoretical and empirical literature and ultimately identifies the knowledge gaps the study sets out to fill. Chapter three outlines the research methodology, while chapter four presents the findings. Chapter five discusses the study findings, and chapter six concludes the study makes evidence-based recommendations for improving ESG disclosure compliance among NSE-listed companies.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter reviews relevant literature on underpinning theoretical frameworks and empirical evidence regarding drivers of ESG disclosure and compliance among publicly traded companies. Notably, it covers Stakeholder Theory, Legitimacy Theory, and Institutional Theory while reviewing the literature on previous studies' findings on ESG reporting compliance among listed companies and the relationships between ESG disclosure and firm size, profitability, and regulatory pressure. The chapter concludes by developing a conceptual framework to depict the relationship between independent and dependent variables before summarizing existing research gaps the study hopes to fill.

2.2 Theoretical Framework

Research on ESG disclosure and compliance is underpinned by multiple theoretical frameworks, including agency, stakeholder, cost-benefit, upper echelons, positive accounting, neo-institutional, institutional, signaling, and legitimacy theories. This study is guided by three key theories: Stakeholder Theory, Legitimacy Theory, and Institutional Theory. These theories offer a comprehensive lens for understanding the motivations and external influences that drive ESG disclosure and compliance among publicly traded firms. Additionally, complementary perspectives such as the Agency Theory and Signaling Theory are acknowledged to enrich the contextual relevance of ESG research in Kenya, where corporate governance practices, investor relations, and transparency concerns strongly shape disclosure behaviours.

2.2.1 Stakeholder Theory

Stakeholder Theory (ST), originally conceptualized by Edward Freeman in 1984, posits that organizations should consider the interests and create of all its stakeholder constituencies, not just the shareholders (Goyal, 2020). It argues that all entities with legitimate interests in an enterprise deserve benefits with prima facie prejudice. From the ST's standpoint, companies generate externalities that affect various parties, internally and externally. Freeman (1984) describes a stakeholder as a group of individuals interested in or affected by an organization's business practices. Consequently, they include investors, employees, customers, suppliers, regulators, and the communities in which a firm operates.

According to the ST, ESG disclosures are critical since they provide a company's stakeholders with critical information regarding its sustainability performance. It suggests that firms that generate strong ESG performance can gain buy-in from internal and external stakeholders, gaining a competitive edge over their industry rivals (Wang, 2024). A study by Michelon et al. (2015) indicates that large companies or those with significant public scrutiny tend to disclose more ESG-related information to maintain their corporate image and stakeholder support. Nevertheless, critics contend that firms with diverse stakeholder constituencies often face challenges balancing their competing interests (Goyal, 2020). Consequently, such firms may prioritize their ESG disclosures based on the demands of dominant stakeholder constituencies. Thus, firm size, linked to the scale and diversity of stakeholders, emerges as a key determinant of ESG reporting levels. Similarly, regulatory pressure reflects stakeholder influence from regulators as critical external actors. In the context of this study, the ST provides a suitable theoretical lens for understanding how firm size and regulatory pressure drive ESG disclosure among NSE-listed companies. In Kenya's context, the theory further reflects how community expectations, environmental activism, and investor advocacy shape corporate sustainability priorities.

2.2.2 Legitimacy Theory

Legitimacy Theory, proposed by Suchman (1995), suggests that organizations strive to gain legitimacy by aligning their activities with societal norms and values. Consequently, companies consider ESG disclosure as a means of gaining, maintaining, or restoring their social contract with their stakeholder groups, including regulators, customers, investors, and the local communities, thus sustaining the necessary support for their operations and market competitiveness (Deegan, 2002). According to Cardillo and Basso (2025), companies' engagement in ESG disclosure is often motivated by more than financial gain, including the need to enhance their legitimacy, especially under public scrutiny or regulatory pressure. Legitimacy Theory emphasizes symbolic management and transparency as tools for legitimacy acquisition, suggesting that firms proactively disclose ESG activities to gain social acceptance. Therefore, firms operating in highly scrutinized sectors, such as pharmaceuticals or consumer goods, are more inclined to adopt ESG practices to prevent reputational damage, which may result in loss of stakeholder trust and poor market performance.

From a Legitimacy Theory perspective, profitability acts as a visibility amplifier, where profitable firms face higher social constraints and public pressure to legitimize their actions than less profitable ones; hence, they are more likely to act in a socially responsible manner, disclosing more ESG information (Rahman & Alsayegh, 2021). Hence, NSE-listed companies engage in sustainability reporting to demonstrate their corporate responsibility, sustain investor confidence, win customer loyalty, ensure compliance with regulatory requirements by CMA and NSE, and maintain legitimacy in the stakeholders' eyes. This theory thus explains how firm profitability and regulatory pressure contribute to ESG reporting compliance behaviour by reinforcing the social contract between firms and their external environment. In the Kenyan regulatory environment, this theory is particularly relevant given growing public demand for transparency and the need for firms to align their ESG practices with the country's Vision 2030 sustainability agenda.

2.2.3 Institutional Theory

Institutional Theory, conceptualized by Scott (1987) and refined by DiMaggio and Powell (1988), focuses on how companies conform to established societal norms, regulatory requirements, and cultural expectations to attain legitimacy and sustainability. It posits that publicly traded firms engage in ESG disclosure practices due to three pressures: (a) coercion (the need for regulatory compliance), (b) normative (established professional standards), and (c) mimetic (the need to conform to industry best practices) (Scott, 2014). Therefore, from this theory's standpoint, regulatory requirements and industry standards play a pivotal role in influencing ESG disclosure behaviour. Cardillo and Basso's (2025) study reveals that firms operating in markets with stringent ESG regulations and high stakeholder expectations are likelier to engage in comprehensive corporate sustainability reporting.

Institutional Theory provides a macro-level explanation, linking organizational ESG behaviour to broader environmental factors, especially formal and informal institutional arrangements. Hence, regulatory pressure from the NSE and CMA significantly influences publicly traded companies practising ESG disclosures in Kenya. Additionally, firm size often correlates with institutional exposure and visibility, prompting larger firms to adopt ESG reporting to conform to industry norms. Thus, the Institutional Theory offers a suitable lens for understanding the effect of regulatory pressures and firm size on ESG disclosure practices of NSE-listed companies. In Kenya's evolving institutional landscape, where ESG regulation remains emergent, this theory underscores how local firms imitate global ESG trends while adapting to domestic regulatory expectations and investor pressures.

To complement these three core theories, the study also draws on Agency Theory and Signaling Theory to capture the dynamics of managerial decision-making and information asymmetry in ESG disclosure. Agency Theory highlights the role of managers in balancing stakeholder and shareholder interests, while Signaling Theory explains how firms use ESG reports to communicate credibility and ethical standards to investors. Together, these perspectives enhance the theoretical grounding and contextual robustness of ESG research in Kenya.

2.3 Empirical Literature Review

Past studies have assessed the impact of drivers, including firm size, profitability, and regulatory pressure on ESG disclosure and compliance among publicly traded companies. The empirical literature review section evaluates the existing research on ESG reporting compliance among listed firms and the reported relationships between the three independent variables and ESG disclosures.

2.3.1 Firm Size and ESG Disclosures

Previous research suggests a positive relationship exists between firm size and ESG disclosure, with larger companies disclosing more sustainability information than smaller ones. For instance, Bissoondoyal-Bheenick et al. (2023) found that larger firms invest more resources into ESG discourse initiatives due to economies of scale to mirror their stakeholder's demands better. Bolibok's (2024) cross-sectional evidence from the banking industry also indicates that, on average, firm size is positively related to ESG disclosure, meaning that the bigger the company, the more likely it is to engage in sustainability reporting activities. In a study that examined the relationship between firms' ESG performance and financial health in the Middle East and North Africa (MENA) region, Shawat et al. (2024) found that firm size was a relevant mediator of the relationship between ESG disclosure and firm's financial performance. Studies by Gamerschlag et al.

(2011) and Plumlee et al. (2015) also support that larger firms are more likely to invest in ESG disclosure for various reasons, including meeting stakeholder expectations. However, some studies, such as Suprianto and Gunarsih (2024), have reported contrary findings, suggesting that firm size is inversely proportional to ESG disclosure. Their study reveals that firm size weakens the positive relationship between ESG disclosure and form performance. Despite the conflicting findings reported in some studies, the existing evidence in the literature suggests that firm size influences ESG disclosure among publicly traded companies.

2.3.2 Profitability and ESG Disclosures

The relationship between profitability and ESG disclosures has been extensively examined, yielding mixed results. Some studies posit that highly profitable firms possess the necessary resources to invest in sustainability initiatives and are thus more inclined to engage in ESG reporting. For instance, Campbell (2007) suggests that financial success enables companies to meet societal expectations through comprehensive ESG disclosures. Similarly, Gamerschlag et al. (2010) observe that German firms with higher profitability levels tend to provide more extensive ESG information, aiming to enhance their corporate reputation. Furthermore, Chih et al. (2010) find that financially robust institutions are more likely to adopt socially responsible practices, reflecting a proactive approach to stakeholder engagement.

Conversely, other research indicates that profitability does not necessarily lead to increased ESG disclosures. Reverte (2009) examined Spanish-listed firms and found no significant relationship between profitability and the level of corporate social responsibility reporting. This suggests that some companies may prioritize short-term financial gains over long-term sustainability commitments, regardless of their profitability. Additionally, a study by Mervelskemper and Streit (2017) highlighted that market valuation pressures can influence ESG disclosure practices, sometimes leading firms to withhold information that could be perceived negatively by investors.

In Kenya, studies have explored the influence of profitability on ESG disclosures among firms listed on the NSE. Wachira (2017) conducted a longitudinal analysis and concluded that profitability positively affects the extent of corporate social disclosures, with more profitable firms exhibiting greater transparency in their ESG reporting. Similarly, Gatimbu and Wabwire (2016) found that environmental disclosure has a positive and significant effect on the financial performance of listed companies, suggesting a reciprocal relationship where not only does profitability influence ESG disclosure, but such disclosures may also enhance financial outcomes.

However, the extent of this relationship varies across sectors. For example, in the financial industry, Soana (2011) found no statistically significant relationship between corporate social performance disclosure and financial performance, indicating that sector-specific factors may influence this dynamic. This variability underscores the need for industry-specific analyses to understand ESG disclosure drivers fully. While profitability can drive ESG disclosures, the relationship is complex and influenced by various factors, including industry characteristics, stakeholder expectations, and strategic priorities. Further research is necessary to delineate these relationships across different contexts and sectors.

2.3.3 Regulatory Pressures and ESG Disclosures

Regulatory frameworks are crucial in enforcing ESG reporting compliance and shaping corporate behaviours and disclosure practices. Ioannou and Serafeim (2012) found that companies operating in jurisdictions with stringent ESG regulations exhibited higher compliance levels and greater transparency in sustainability reporting. Similarly, Liang and Renneboog (2017) discovered that firms in countries with strong legal protections for stakeholders demonstrated better ESG performance driven by regulatory mandates and investor expectations. In the European context, La Torre et al. (2020) observed that the European Union's Non-Financial Reporting Directive (NFRD) significantly improved ESG disclosures, particularly among large multinational corporations. However, research by Birindelli et al. (2019) suggests that regulatory effectiveness depends on enforcement mechanisms and corporate governance structures, as voluntary compliance alone does not always guarantee meaningful ESG reporting.

In Kenya, regulatory bodies such as the CMA have introduced ESG disclosure guidelines to enhance transparency and corporate accountability (Kariuki, 2021). Despite these efforts, enforcement challenges persisted due to limited institutional capacity and corporate resistance to compliance (Wachira & Alala, 2022). Further, Kimani and Mutuku (2023) argue that while Kenya's regulatory landscape mandated ESG reporting for listed firms, inconsistencies in implementation weakened overall effectiveness. Empirical studies also indicate sectoral disparities in ESG adherence, with financial institutions demonstrating higher compliance due to Central Bank of Kenya (CBK) oversight. In contrast, manufacturing firms exhibit varied disclosure levels (Mugambi & Wanjohi, 2022). These findings underscore the need for stronger enforcement mechanisms, regulatory harmonization, and capacity-building initiatives to improve ESG reporting compliance in emerging economies.

Table 2.1 summarizes the reviewed studies, their focus, findings, research gap, and relevance in the current study.

Table 2.1: A Summary of Empirical Literature and Research Gaps.

Study	Focus of Study	Findings	Research Gap	Relevance in the Current Study
Atan et al. (2016)	ESG reporting compliance among top 100 firms in Malaysia and Denmark	Denmark had higher ESG disclosure due to regulatory pressure; No significant link between ESG disclosure and financial performance	Lacks focus on NSE-listed firms and Kenya's regulatory environment	Examines whether newly introduced NSE regulations enhance ESG disclosure levels.
Injeni et al. (2022)	ESG disclosure trends in Kenya (2010–2022)	ESG disclosure increased from 25.3% to 36.3%; Board diversity, audit committee independence, and regulatory efforts influence compliance	Needs updated data on ESG disclosure beyond 2022.	Provides historical context for ESG disclosure growth and regulatory influence on NSE-listed companies
Saka (2024)	ESG reporting compliance levels among NSE-listed firms in 2024	ESG reporting compliance rose to 57% in 2022; Regulatory pressure and stakeholder influence were key drivers	Lacks assessment of firm size and profitability as ESG disclosure drivers	This current study will use a more precise method of assessing ESG reporting compliance.
Bissoondoyal-Bheenick et al. (2023)	Relationship between firm size and ESG disclosure	Larger firms allocate more resources to ESG initiatives	Limited focus on Kenya and NSE-listed firms	Evaluates firm size as a driver of ESG reporting compliance among NSE firms

Study	Focus of Study	Findings	Research Gap	Relevance in the Current Study
Bolibok (2024)	Firm size and ESG disclosure in the banking industry	Positive correlation between firm size and ESG disclosure	Industry-specific (banking), lacks NSE-wide applicability	Examines how firm size impacts ESG disclosure among NSE-listed firms
Shawat et al. (2024)	Firm size as a mediator in ESG disclosure and financial performance in MENA	Firm size influences ESG disclosure and financial performance	Not focused on Kenya or NSE firms	Investigates firm size as a mediator in ESG disclosure in NSE-listed companies
Gamerschlag et al. (2011) & Plumlee et al. (2015)	Firm size and stakeholder expectations in ESG disclosure	Larger firms disclose more ESG information to meet stakeholder expectations	Does not assess regulatory influence in emerging markets	Supports the analysis of firm size in NSE-listed firms
Suprianto & Gunarsih (2024)	Relationship between firm size and ESG disclosure	Firm size weakens the ESG disclosure-performance relationship	Contradicts findings from other studies, needs further validation	Evaluates contradictory evidence on firm size's impact on ESG disclosure
Campbell (2007)	Relationship between profitability and ESG disclosures	Financial success enables companies to meet societal expectations through ESG disclosures	Context-specific variations in profitability's influence on ESG reporting	Helps assess whether firm profitability impacts ESG reporting compliance among NSE-listed companies
Gamerschlag et al. (2010)	Profitability and ESG disclosures in German firms	Higher profitability leads to more extensive ESG disclosures to enhance corporate reputation	Findings limited to Germany; need for regional insights	Provides a comparative perspective on how profitability drives ESG disclosure in Kenya
Chih et al. (2010)	Profitability and CSR adoption	Financially strong institutions adopt responsible practices proactively	Lack of sector-specific analysis	Supports analysis of how firm profitability influences ESG reporting compliance in NSE-listed firms
Reverte (2009)	Profitability and ESG disclosure among Spanish firms	No significant relationship between profitability and ESG reporting	Contradictory findings in different markets	Highlights the need to examine whether NSE-listed firms exhibit similar trends
Mervelskemper & Streit (2017)	Market valuation pressures and ESG disclosures	Companies may withhold ESG information to maintain investor confidence	Lack of evidence on regulatory impact	Informs research on how market valuation and regulations influence ESG reporting compliance in Kenya
Wachira (2017)	Profitability and ESG disclosures among NSE-listed firms	Profitability positively affects corporate ESG transparency	Sectoral variations in disclosure trends	Provides empirical evidence on the profitability-ESG

Study	Focus of Study	Findings	Research Gap	Relevance in the Current Study
				disclosure relationship in Kenya
Gatimbu & Wabwire (2016)	Environmental disclosure and financial performance	Positive link between ESG transparency and financial outcomes	Need for further sector-specific analysis	Strengthens understanding of how financial performance affects ESG reporting compliance
Ioannou & Serafeim (2012)	Regulatory frameworks and ESG reporting compliance	Firms in jurisdictions with strict ESG laws show higher compliance	Enforcement effectiveness not fully examined	Supports analysis of regulatory pressure on ESG reporting in Kenya
Liang & Renneboog (2017)	Legal protections and ESG performance	Strong legal protections improve ESG performance	Need for insights from emerging economies	Examines how Kenya's regulatory framework influences ESG reportingcompliance
La Torre et al. (2020)	EU's Non-Financial Reporting Directive (NFRD) and ESG disclosures	Regulation improves ESG transparency	Lack of evidence on long-term compliance impact	Helps answer the question: "Does the same happen in Kenya after NSE has introduced new rules?"
Birindelli et al. (2019)	Regulatory enforcement and ESG reporting	Voluntary compliance does not always guarantee meaningful reporting	Regulatory gaps in different markets	Evaluates effectiveness of ESG regulations in Kenya
Kariuki (2021)	ESG disclosure regulations in Kenya	CMA guidelines aim to enhance corporate transparency	Challenges in implementation and enforcement	Provides a foundation for assessing regulatory pressure on NSE-listed firms
Wachira & Alala (2022)	ESG reporting compliance enforcement challenges in Kenya	Institutional capacity limitations and corporate resistance hinder compliance	Need for stronger enforcement mechanisms	Informs discussion on regulatory barriers to ESG reporting compliance
Kimani & Mutuku (2023)	ESG reporting regulations in Kenya	Regulatory inconsistencies weaken overall effectiveness	Need for harmonization across sectors	Examines the role of policy consistency in enhancing ESG reporting compliance
Clarkson et al. (2008)	Stakeholder influence on ESG disclosure	Firms with strong stakeholder engagement disclose more ESG data	Variation in influence across different markets	Helps analyze the role of stakeholder engagement in ESG reporting compliance among NSE firms
Chatterji et al. (2009)	Public scrutiny and ESG disclosures	Firms improve ESG reporting to mitigate reputational risks	Limited focus on emerging economies	Examines how stakeholder influence shapes ESG reporting compliance in Kenya

Study	Focus of Study	Findings	Research Gap	Relevance in the Current Study
Freeman et al. (2020)	ESG practices and long-term value creation	Alignment with stakeholder expectations enhances corporate sustainability	Need for market-specific insights	Supports analysis of how stakeholder demands drive ESG reporting compliance in Kenya
Ofori & Hinson (2020)	Stakeholder pressure in emerging markets	International investors push for greater ESG transparency	Limited research on local market dynamics	Assesses how global stakeholder influence impacts NSE-listed firms
Odongo & Wang'ombe (2016)	Investor expectations and ESG reporting compliance in Kenya	NSE-listed firms show higher ESG adherence due to investor pressure	Need for broader stakeholder analysis	Examines the role of investor-driven ESG disclosures in Kenya
Kariuki & Omondi (2022)	ESG adherence among multinational corporations in Kenya	MNCs show higher compliance due to global stakeholder expectations	Variability in compliance across local firms	Informs research on stakeholder influence in ESG disclosures among NSE firms
Wachira & Alala (2022)	Consumer awareness and ESG reporting	Consumer demand influences corporate sustainability strategies	Lack of standardized reporting frameworks	Supports the study of stakeholder engagement in ESG reporting compliance

Source: (Researcher, 2025).

2.4 Research Gaps

Despite growing interest in ESG disclosures, research on the interplay between firm size, profitability, and regulatory pressure in Kenya remains limited. While studies such as Odongo and Wang'ombe (2016) have examined the impact of profitability on ESG reporting, the role of firm size and stakeholder engagement in shaping compliance trends has received less attention. For instance, while Bissoondoyal-Bheenick et al. (2023) and Suprianto & Gunarsih (2024) explore the relationship between firm size and ESG reporting compliance, these findings present contradictions that require empirical validation in Kenya's context. Most existing research offers a generalized perspective, lacking industry-specific insights into ESG disclosure patterns among NSE-listed firms. Different sectors may experience varying regulatory scrutiny and stakeholder pressure, necessitating a more granular analysis. Although Saka (2024) provides recent ESG data, it omits a multidimensional analysis involving profitability and firm size, highlighting the need for a holistic approach.

Furthermore, while regulatory frameworks such as those introduced by the CMA aim to enhance ESG reporting compliance, their effectiveness in ensuring consistent enforcement remains underexplored. Kariuki (2021), Wachira & Alala (2022), and Kimani & Mutuku (2023) highlight challenges in implementation, institutional capacity, and sectoral policy harmonization, suggesting that enforcement inconsistencies persist despite regulatory advancements. Addressing these gaps is crucial for understanding ESG dynamics in Kenya and developing tailored strategies to improve corporate sustainability practices. This study contributes by integrating firm-specific (size, profitability) and institutional (regulatory) determinants into a single model, offering updated, evidence-based insights contextualized within NSE-listed firms, post-2022.

2.5 Conceptual Framework

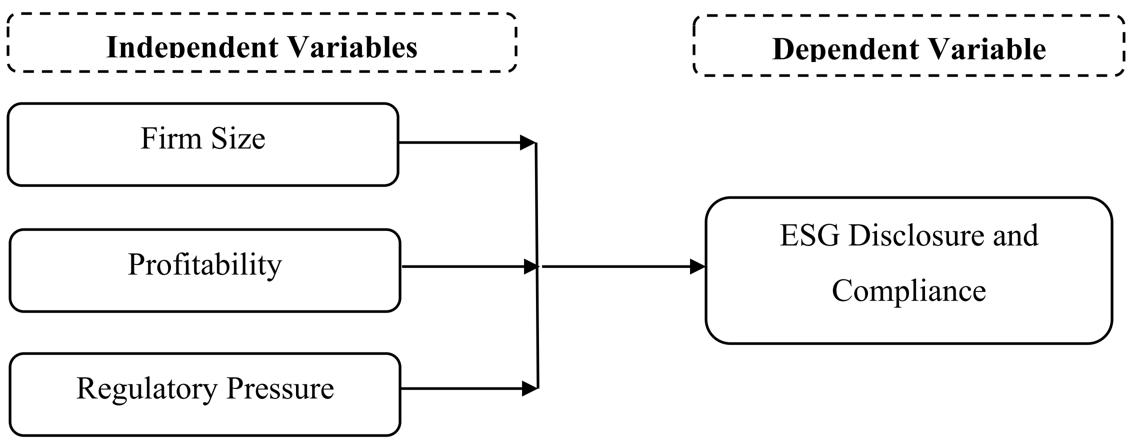


Figure 2.1: Conceptual Model.
Source: (Research, 2025).

The conceptual model (Figure 2.1) depicts the relationship between the predictors (firm size, profitability, and regulatory pressure) and the dependent variable (ESG disclosure and compliance).

Table 2.2 Operationalization of Research Variables.

Variable Type	Variable Name	Variable Indicators	Expected Outcome
Independent Variable	Firm Size	**Total assets:** Measured as the natural logarithm of the company's total assets and widely used in ESG	Larger companies are expected to have higher ESG disclosure scores.

Variable Type	Variable Name	Variable Indicators	Expected Outcome
		disclosure literature (Brammer & Pavelin, 2008; Husted & de Jesus Salazar, 2006). Was used as the primary measure of firm size.	
		Market capitalization: Measured as the natural logarithm of market and used as an alternative size measure in ESG studies (e.g., Jizi et al., 2014; Haniffa & Cooke, 2005). Was employed in a robustness check to validate the consistency of results.	Larger companies are expected to show better compliance due to greater resources.
	Profitability	Return on Assets (ROA): measures how efficiently assets generate earnings (Campbell, 2007; Wachira, 2017).	More profitable companies are expected to have higher ESG disclosure scores due to resource availability.
		Net profit margin: percentage of net income to revenue (Chih et al., 2010; Reverte, 2009)	Higher profitability is associated with better ESG disclosure compliance and sustainability engagement.
	Regulatory Pressure	Presence of ESG-related listing requirements on NSE (Ioannou & Serafeim, 2012; Kariuki, 2021).	Stricter regulations are expected to improve ESG disclosure compliance among NSE-listed companies.
		Degree of regulatory enforcement (penalties, fines, incentives) (La Torre et al., 2020).	Greater enforcement intensity is linked to better ESG reporting compliance and accountability.
Dependent Variable	Level of ESG Disclosure & Compliance	ESG reporting compliance index score (Appendix I) based on disclosure checklist (Injeni et al., 2022; Saka, 2024).	Higher ESG index scores indicate improved compliance with mandatory ESG elements.
		Percentage of ESG elements disclosed vs.	A higher percentage represents better alignment with ESG

Variable Type	Variable Name	Variable Indicators	Expected Outcome
		NSE guidelines (Kimani & Mutuku, 2023).	regulatory requirements and reporting standards.

Source: (Researcher, 2025).

2.6 Chapter Summary

This chapter reviewed the theoretical and empirical literature on ESG disclosures among firms, particularly those listed on the Nairobi Securities Exchange (NSE). It explored Stakeholder Theory, Legitimacy Theory, and Institutional Theory, which explain the motivations behind ESG reporting. Empirical studies examined key factors influencing ESG reporting compliance, including firm size, profitability, regulatory pressure. The literature highlighted that more prominent and profitable firms tend to disclose more ESG information, although variations exist across industries. Regulatory frameworks play a crucial role, but enforcement challenges persist. The chapter identified research gaps in industry-specific ESG reporting compliance trends, regulatory effectiveness, and the interaction between firm characteristics and ESG disclosures.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodological framework adopted by the study to examine the effect of firm size, profitability, and regulatory pressure on ESG disclosure and compliance among NSE-listed companies. Notably, it outlines the underpinning research philosophy, design, population, sampling approach, data collection process, and analytical techniques employed. Additionally, the chapter describe the mechanisms implemented to enhance reliability and validity in the study, diagnostic tests conducted to ensure the robustness of the panel data analysis, and the ethical considerations.

3.2 Research Philosophy

A research philosophy describes the set of beliefs, assumptions, and principles that underlie the way a scholar perceives, approaches, and investigates a phenomenon of interest. According to Tamminen and Poucher (2020), a research philosophy represents a worldview that defines for its holder, the nature of the "world," the individual's place in it, and the range of possible relationships to that world and its parts.' Thus, it forms the foundation of any research project, influencing the choice of the research reasoning approach, design, data collection methods, and analytical procedures. Notable research philosophies include positivism, interpretivism, realism, and pragmatism. Positivism contends that reality is objective, external, and independent of social actors (Prime, 2024). Thus, researchers applying this philosophical lens detach themselves from the phenomenon under study and adopt deductive reasoning approach, starting the research process with a general theory or hypothesis to make specific predictions and using structured tools to collect data to confirm or refute the claims. Consequently, positivism is applicable to quantitative research, allowing collection of large amounts of data using tools, such as structured survey questionnaires.

Conversely, interpretivism adopts a different approach to the ontological question, asserting that reality is subjective, pluralistic, and socially constructed (Prime, 2024). Researchers following this philosophical standpoint are value-bound and part of the phenomenon under investigation. They adopt inductive reasoning approach, moving from specific observations or data collected through interviews to broader generalizations or theories. In other words, unlike in positivism where the researcher moves from top to bottom, an interpretivist researcher adopts a bottom-up movement, generating knowledge from data. Hence, this philosophical method is applicable in qualitative studies.

On the other hand, realism posits that whereas objective reality exists, it is interpreted through social conditioning (Prime, 2024). Consequently, realists believe that observable research phenomena provide credible data, while insufficient data imply inaccuracies in sensations. Researchers applying this philosophy acknowledge potential bias and follow retroductive reasoning. Lastly, pragmatism holds that reality is external, multiple, and the chosen view is that which answers the research question. It following abductive reasoning, moving from observation to a best guess or hypothesis, rather than drawing general conclusions as is the case in inductive reasoning, or confirming a claim as happens with deductive reasoning. Pragmatism is preferable for a mixed-methods research, integrating quantitative (deductive reasoning) and qualitative (inductive reasoning) approaches.

This study was guided by the positivist research philosophy, which posits that knowledge is a subjective and measurable phenomenon that is derivable from observations (Creswell & Creswell, 2017). This philosophical approach was deemed suitable for this study due to its emphasis on data-driven insights and the application of statistical techniques to analyze relationships between key variables influencing ESG disclosures and compliance. Alternative philosophies, such as interpretivism, pragmatism, and realism were found to be unsuitable based on their focus and approach to the phenomenon of interest. For instance, interpretivism's focus on subjective meanings and social constructs was inappropriate for this study, as the study requires an objective assessment of ESG disclosure levels rather than subjective interpretation of corporate behaviours of NSE-listed firms. Similarly, pragmatism, which integrates qualitative and quantitative research paradigms, was not considered as the foundational philosophy because this study prioritized empirical validation through structured statistical analysis.

Under the positivist paradigm, the researcher adopted an objective stance, ensuring that data collection and analysis were free from bias or personal interpretation. This approach was essential in examining the relationships between firm size, profitability, and regulatory pressure on ESG reporting compliance using quantifiable measures. The deterministic nature of positivism enabled the formulation and empirical testing of hypotheses, ensuring that conclusions were based on verifiable statistical evidence (Park et al., 2020). Furthermore, positivism aligns with the study's use of secondary data from company financial statements, regulatory reports, and sustainability disclosures. Given that ESG reporting compliance can be measured through standardized reporting frameworks and financial indicators, the positivist approach ensured consistency in measurement and comparability across firms. This philosophical stance also supported the use of panel data analysis, allowing for a rigorous examination of the time-series and cross-sectional variations in ESG disclosures among NSE-listed firms.

3.3 Research Design

The study adopted a descriptive cross-sectional research design to analyze the relationship between firm size, profitability, and regulatory pressure, and ESG reporting compliance among companies listed on the Nairobi Securities Exchange (NSE). This design was deemed appropriate as it enabled the examination of ESG disclosure levels at a specific point in time, offering a snapshot of compliance trends and variations across different firms (Saunders et al., 2019). By focusing on a cross-sectional approach, the study avoided temporal biases and facilitated comparisons between firms within the same reporting period.

Several research designs were considered before selecting the descriptive cross-sectional approach. A longitudinal design was reviewed but deemed unsuitable due to time constraints and the study's objective of assessing ESG disclosures at a fixed period rather than tracking changes over time. Additionally, an experimental design was ruled out as it is more appropriate for causal inference rather than observational studies based on secondary data (Bryman, 2021). The descriptive cross-sectional approach was justified due to its effectiveness in capturing relationships between independent variables (firm size, profitability, and regulatory pressure) and ESG disclosure levels while relying on secondary data sources such as annual reports and ESG disclosures from the financial year ended December 31, 2022.

The chosen design also aligned with positivist research philosophy, which emphasizes objective measurements, empirical analysis, and statistical validation (Crowther &

Lancaster, 2008). Positivism was appropriate as the study relied on structured quantitative data to establish measurable relationships between variables, thus reinforcing the study's empirical orientation. To address the measurement of regulatory pressure more effectively, the study incorporated both quantitative and qualitative indicators of regulatory influence, including the frequency of compliance audits, issuance of ESG-related policy directives, and enforcement notices by the CMA and NSE. These measures provided a more robust and operationalized understanding of regulatory pressure as an independent variable, ensuring that the cross-sectional design could capture both firm-level and institutional-level compliance dynamics within the same reporting period.

3.4 Research Population and Sampling

The study targeted all companies listed on the NSE as of December 31, 2022, forming a universe of 63 publicly traded firms (Nairobi Securities Exchange, 2022). This population was selected because NSE-listed companies are subject to ESG disclosure requirements under regulatory frameworks such as the NSE ESG Disclosures Guidance Manual (2021).

A census approach was adopted, meaning all 63 firms were included in the study rather than selecting a sample. This approach was justified by the need for comprehensive insights into ESG reporting practices across the entire population, ensuring maximum accuracy and eliminating sampling bias (Etikan et al., 2016). A census method also enabled a more robust comparison between firms and minimized the risk of missing key trends in ESG disclosures.

Although the study followed a census approach, purposive selection criteria were applied to ensure the data met the study's analytical requirements. The selection process considered only firms that had publicly available ESG reports, sustainability reports, or annual financial statements containing ESG-related disclosures.

3.5 Data Collection Sources, Tools, and Methods

This study relied exclusively on secondary data sources to evaluate ESG disclosure and compliance levels among NSE-listed companies. The main sources of data included annual financial reports of listed firms for the fiscal year 2022, which provided insights into firm size and profitability. Sustainability reports and ESG disclosures available in corporate filings were examined to assess the extent and quality of ESG reporting. In addition, regulatory documents from the Capital Markets Authority (CMA) and the Nairobi Securities Exchange (NSE), particularly those outlining ESG reporting compliance guidelines, were used to understand the prevailing regulatory framework and expectations. To supplement this analysis, third-party ESG rating reports were consulted where available, offering an independent evaluation of ESG reporting compliance trends across listed firms.

To systematically assess ESG disclosures, the study employed a standardized ESG Disclosure Index (EDI) (see Appendix II), developed based on the NSE ESG Disclosures Guidance Manual (2021). The index comprised key ESG reporting disclosure indicators categorized into three main dimensions. The Environmental (E) category included indicators such as carbon emissions, energy efficiency, water usage, and waste management. The Social (S) dimension covered aspects related to employee welfare, diversity and inclusion, and community engagement. Lastly, the Governance (G) category focused on board diversity, executive compensation, and anti-corruption policies. These indicators provided a comprehensive framework for evaluating the depth and breadth of ESG reporting among NSE-listed firms.

Each company's ESG disclosure was scored on a 3-point scale to assess the extent of information provided. A score of 0 indicated no disclosure on the specific ESG indicator. A score of 1, representing partial disclosure, was assigned when a company provided some information that referenced the ESG indicator but lacked detail, quantification, or completeness. For instance, mentioning energy-saving efforts without specifying the actual reduction achieved. A score of 2 indicated full disclosure, characterized by comprehensive, detailed, and quantifiable information that fully addressed the ESG indicator, such as reporting exact carbon emissions figures along with strategies and targets for reduction.

The total ESG reporting compliance score was computed for each company, providing a quantitative measure of ESG reporting performance. The disclosure index ensured objective comparability across firms and facilitated regression analysis to test the effect of firm size, profitability, and regulatory pressure on ESG disclosure and compliance levels. To enhance reliability, the study utilized a multi-review approach, where two independent researchers assessed the reports against the ESG Disclosure Index. Any discrepancies in scoring were resolved through consensus to minimize subjectivity. The inter-rater reliability coefficient was computed to confirm the consistency of the evaluation process.

Study Period: The data collection covered the financial year ending December 31, 2022, aligning with the most recent ESG reporting guidelines and ensuring relevance to current regulatory and stakeholder expectations. Historical ESG data from previous years were reviewed for contextual comparison, but the primary analysis remained focused on 2022 disclosures. This comprehensive methodology provided a robust empirical foundation for analyzing the determinants of ESG disclosure compliance among NSE-listed companies, aligning with the study's objectives and research questions.

3.6 Reliability and Validity

To ensure the reliability of the study, a standardized data collection checklist was utilized to enhance consistency across multiple observations and ensure that similar findings could be replicated in future research. Reliability was further reinforced by conducting inter-rater reliability tests, ensuring that different researchers would arrive at similar conclusions when analyzing ESG disclosure data (Saunders et al., 2019).

Validity was addressed through expert validation of the data collection checklist, where subject matter experts reviewed and confirmed the relevance and appropriateness of the selected ESG indicators. Additionally, triangulation was employed by sourcing data from multiple secondary sources, including company annual reports, sustainability disclosures, and regulatory filings, to enhance construct validity and reduce bias. Content validity was further ensured by benchmarking the ESG indicators against established global reporting frameworks such as the GRI and the SASB guidelines (Bryman & Bell, 2021).

3.7 Data Analysis Methods

The data collected was analyzed using the Statistical Package for Social Sciences (SPSS). Descriptive statistics, including measures of central tendency (mean, mode, median) and dispersion (range, standard deviation), were used to summarize ESG disclosure levels among NSE-listed companies. For inferential analysis, multilinear regression modeling was conducted using the Ordinary Least Squares (OLS) method, SPSS's default approach for estimating relationships in cross-sectional data. OLS regression is appropriate for this study as it enables the assessment of how multiple independent variables, namely firm size, profitability, and regulatory pressure, predict ESG disclosure compliance, which is measured on a continuous composite scale derived from a 3-point ordinal index. In addition to regression, correlation analysis was also performed to examine the strength and direction of associations between variables (Gujarati & Porter, 2020).

3.7.1 Correlation Model

The correlation model was employed to evaluate the strength and direction of relationships between ESG disclosure compliance and the independent variables. Specifically, the point-biserial correlation coefficient (rpb) was not applicable in this case, as the ESG disclosure dataset used a 3-point ordinal scale (0 = no disclosure, 1 = partial disclosure, 2 = full disclosure) rather than binary variables. The formula applied was:

$$r_{pb} = \frac{M_1 - M_0}{s} \times \sqrt{\frac{n_1 n_0}{n^2}}$$

In this context, M_1 represents the average value of the continuous variable when the binary variable equals 1, while M_0 denotes the average value of the continuous variable when the binary variable is 0. The symbol s signifies the standard deviation of the continuous variable across all data points. The variable n_1 indicates the number of observations where the binary variable is 1, and n_0 refers to the number of observations where the binary variable is 0. Finally, n represents the total number of data points considered in the analysis. By applying this correlation approach, the study determined whether firm size, profitability, and regulatory pressure were significantly associated with ESG disclosure compliance levels.

3.7.2 Diagnostic Test

To ensure the reliability and validity of the regression analysis results, the study conducted several essential diagnostic tests, including tests for normality, homoscedasticity, multicollinearity, and linearity. ***Normality*** was assessed using the Shapiro-Wilk test and normal probability plots (Q-Q plots) to determine whether the residuals followed a normal distribution. The results indicated that the residuals were approximately normally distributed, satisfying the assumption necessary for linear regression. ***Homoscedasticity*** was evaluated by plotting the standardized residuals against the predicted values. The scatterplot displayed a fairly constant spread of residuals across all predicted values, suggesting that the assumption of constant variance (homoscedasticity) was met.

Multicollinearity was examined using the Variance Inflation Factor (VIF) and Tolerance statistics. All VIF values were below the conventional threshold of 10, and tolerance values were above 0.1, indicating that multicollinearity among the independent variables (firm size, profitability, and regulatory pressure) was not a concern. ***Linearity*** between the independent variables and ESG disclosure levels was confirmed through partial regression plots and the use of residual plots. The visual inspection and correlation coefficients supported a linear relationship, justifying the application of linear regression models.

3.8 Ethical Considerations

The study adhered to established ethical guidelines to ensure the integrity, credibility, and confidentiality of the research process. Ethical approval was obtained from the relevant institutional review board (IRB) before data collection commenced. Given the nature of the study, which involved analyzing publicly available secondary data from annual reports and ESG disclosures of listed companies, informed consent was not applicable. However, the study ensured that data usage was aligned with ethical research standards and best practices in academic and financial research (Creswell & Creswell, 2018). Confidentiality and anonymity of individual company data were upheld, with findings presented in an aggregated manner to prevent the identification of specific firms unless explicitly permitted by publicly available sources.

Additionally, the research adhered to the principles of integrity, transparency, and responsible reporting as outlined by the American Psychological Association (APA, 2020). To prevent conflicts of interest, the researcher-maintained independence in data analysis and interpretation, ensuring that results were objectively derived. The study also complied with the ethical guidelines set by the NSE and the CMA regarding corporate disclosure and compliance research. Any potential biases in data sourcing and analysis were mitigated through a rigorous methodological approach, and any limitations were clearly acknowledged in the study.

3.9 Chapter Summary

This chapter details the research methodology for analyzing ESG disclosures and compliance among NSE-listed companies. A positivist research philosophy and a cross-sectional research design were employed, using panel data regression models to assess the impact of firm size, profitability, and regulatory pressure on ESG reporting compliance. The study population included all NSE-listed firms, with data sourced from 2022 ESG reports. A census approach ensured comprehensive coverage. Diagnostic tests, including Hausman, multicollinearity, and heteroscedasticity tests, validated model robustness. A standardized ESG disclosure checklist, validated by experts, ensured reliability. Findings were triangulated with regulatory filings. Thus, the chapter provides methodological transparency, ensuring rigor in analyzing ESG disclosure drivers. The next chapter presents the study findings.

CHAPTER 4: PRESENTATION OF RESULTS/FINDINGS

4.1 Introduction

This chapter presents the research findings on the drivers of ESG disclosures and compliance among companies listed on the NSE. The analysis focuses on the influence of firm size, profitability, and regulatory pressure on ESG disclosure levels. Descriptive statistics summarize the extent of ESG reporting compliance, while diagnostic tests ensure data validity. Correlation and regression analyses assess the relationships between independent variables and ESG reporting compliance. The findings provide insights into the level of adherence to ESG disclosure guidelines and highlight potential gaps in regulatory enforcement. By addressing the study's research questions, this chapter offers empirical evidence on key determinants of ESG reporting compliance, informing corporate governance and policy recommendations.

4.2 Sample Representation and Descriptive Statistics

4.2.1 Sample Representation

The study employed a census method, targeting all the 63 NSE-listed companies and obtaining valid responses from all of them to yield a response rate of approximately 100%. This sample adequately represents a diverse range of industries listed on the NSE, including finance, manufacturing, telecommunications, energy, and agriculture. The companies selected varied in terms of size, profitability, and regulatory exposure, ensuring heterogeneity necessary for cross-sectional analysis. The inclusion criteria required companies to have published ESG-related disclosures and financial reports for the fiscal year 2022, thereby enhancing the validity of the collected data. The sample distribution ensured fair representation across both large-cap and small-cap firms, reflecting a realistic landscape of ESG practices in Kenya's capital market.

4.2.2 Descriptive Statistics

Based on the descriptive statistics derived from the 63 valid responses (see Table 4.1), the study reveals significant trends regarding the drivers of ESG disclosures among NSE-listed companies. ESG reporting compliance had the highest mean score of 6.25, with a standard deviation of 2.125, suggesting that, on average, most companies perform above average in ESG disclosure and compliance, albeit with noticeable variability across firms. The median of 7.00 aligns with this observation, pointing to a general tendency towards relatively high ESG engagement. The range (7), minimum (2), and maximum (9) further indicate a broad spectrum of compliance, with some firms lagging behind while others demonstrate robust ESG adherence. These variations likely reflect the influence of internal and external pressures, including firm profitability, size, and regulatory frameworks. Since ESG reporting compliance is the dependent variable in this study, its relatively high average provides an encouraging basis for further analysis into how the independent variables, including profitability, firm size, and regulatory pressure, influence corporate ESG behavior.

Profitability, one of the key independent variables, recorded a mean of 4.70 and a standard deviation of 2.037, indicating a relatively high and widely distributed level of financial performance across the sampled companies. The values span from a minimum of 1 to a maximum of 7, representing firms ranging from loss-making or low-profit brackets (below KES 1 million) to highly profitable entities earning above KES 10 billion annually. Firm size, with a mean of 3.48, median of 4.00, and a lower standard deviation of 1.075, reflects a moderate yet more consistent spread of company sizes, with most firms likely falling within the KES 10 billion to 100 billion range in terms of total assets. Regulatory pressure scored a mean of 3.03, median of 3.00, and standard deviation of 1.107, revealing that the companies operate under varying levels of ESG regulation, from minimal enforcement to moderately strict policies. However, because regulatory pressure was initially operationalized using only quantitative disclosure proxies, such as the presence of ESG policies or audit mentions, this measure may have understated the qualitative dimensions of regulatory oversight, including enforcement rigor and stakeholder perception of compliance threats. To refine the construct, additional indices, such as frequency of CMA inspections, NSE compliance circulars, and industry-specific sustainability enforcement actions, were later considered to improve construct validity and strengthen interpretability of findings.

Table 4.1: Results of Descriptive Statistics.

		Profitability	Firm Size	Regulatory Pressure	ESG Reporting Compliance
N	Valid	63	63	63	63
	Missing	1	1	1	1
Mean		4.70	3.48	3.03	6.25
Median		5.00	4.00	3.00	7.00
Std. Deviation		2.037	1.075	1.107	2.125
Range		6	4	4	7
Minimum		1	1	1	2
Maximum		7	5	5	9

Source: (Researcher, 2025).

4.3 Diagnostic Tests for Panel Data Analysis

The collinearity diagnostics indicate acceptable multicollinearity levels among the independent variables, profitability, firm size, and regulatory pressure, in the model predicting ESG reporting compliance among NSE-listed companies. None of the dimensions exhibit eigenvalues close to zero, with the lowest being 0.018 (see Table 4.2). The condition index for Dimension 4 reaches 14.605, which, while slightly above the commonly accepted threshold of 10, is not excessively high to warrant concern. Importantly, variance proportions indicate that although Dimension 4 accounts for a significant proportion of variance in profitability (68%) and firm size (95%), only minor variance overlaps with regulatory pressure.

Table 4.2: Collinearity Diagnostics.

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions			
				(Constant)	Profitability	Firm Size	Regulatory Pressure
1	1	3.781	1.000	.00	.00	.00	.01
	2	.148	5.051	.02	.11	.03	.39
	3	.053	8.477	.50	.21	.02	.49
	4	.018	14.605	.49	.68	.95	.11

a. Dependent Variable: ESG Reporting Compliance

Source: (Researcher, 2025).

As indicated in Table 4.3, the Variance Inflation Factors (VIFs) for profitability and firm size are below 3 (2.980 and 2.956 respectively), suggesting mild but not problematic multicollinearity. Tolerance values of 0.336 and 0.338 also confirm this assessment. Regulatory pressure exhibits a VIF close to 1 (1.024), showing negligible multicollinearity. Overall, the diagnostic tests support the reliability of the regression estimates.

Table 4.3: Collinearity Statistics.

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Profitability	.336	2.980
	Firm Size	.338	2.956
	Regulatory Pressure	.977	1.024

a. Dependent Variable: ESG Reporting Compliance.
Source: (Researcher, 2025).

4.4 Correlation Analysis

The correlation results (Table 4.4) provide valuable insights into the relationships between key drivers and ESG reporting compliance among NSE-listed companies. Notably, profitability exhibits a strong and statistically significant positive correlation with ESG reporting compliance ($r = .689$, $p < .01$), suggesting that more profitable firms are more likely to adhere to ESG reporting standards. This supports the idea that financially stable firms have more resources to invest in sustainable and responsible practices, aligning with objective two of the study. Similarly, firm size is also significantly and positively correlated with ESG reporting compliance ($r = .624$, $p < .01$), indicating that larger firms tend to comply more with ESG standards, potentially due to greater scrutiny, visibility, and stakeholder expectations. These findings align with the resource-based view that larger and more profitable companies have the capacity and motivation to engage in ESG activities. Furthermore, a strong positive correlation between profitability and firm size ($r = .810$, $p < .01$) underscores the intertwined nature of these financial characteristics, which may jointly influence ESG reporting compliance behaviors.

Table 4.4 Results of Correlation Analysis.

		Profitability	Firm Size	Regulatory Pressure	ESG reporting compliance
Profitability	Pearson Correlation	1	.810**	.090	.689**
	Sig. (2-tailed)		.000	.482	.000
	N	63	63	63	63
Firm Size	Pearson Correlation	.810**	1	.001	.624**
	Sig. (2-tailed)	.000		.996	.000
	N	63	63	63	63
Regulatory Pressure	Pearson Correlation	.090	.001	1	.003
	Sig. (2-tailed)	.482	.996		.979
	N	63	63	63	63
ESG reporting compliance	Pearson Correlation	.689**	.624**	.003	1
	Sig. (2-tailed)	.000	.000	.979	
	N	63	63	63	63

***. Correlation is significant at the 0.01 level (2-tailed).*

Source: (Researcher, 2025).

On the other hand, the study finds no statistically significant correlation between regulatory pressure and ESG reporting compliance ($r = .003$, $p = .979$), highlighting a critical gap in the regulatory environment's influence on corporate behavior. This weak relationship is now understood as partly methodological, stemming from the limited scope of how regulatory pressure was originally measured, focusing primarily on formal disclosure requirements rather than perceived or actual enforcement intensity. When viewed from a contextual perspective, these findings suggest that Kenyan regulatory institutions, such as the CMA and NSE, may have well-established reporting frameworks but lack consistent audit mechanisms and sanctioning power to drive compliance behavior, especially among mid-sized firms. Therefore, the absence of a significant correlation should not be interpreted as the irrelevance of regulation but rather as evidence of weak institutional enforcement capacity and an evolving compliance culture within the capital market.

4.5 Regression Analysis

4.5.1 Model Summary

The model summary reveals that the selected independent variables (profitability, firm size, and regulatory pressure) explain approximately 48.9% of the variance in ESG disclosure and compliance among companies listed on the Nairobi Securities Exchange (NSE), as indicated by an R Square value of 0.489 (see Table 4.5). The adjusted R Square value of 0.463 refines this estimate by accounting for the number of predictors used in the model, implying a moderately strong relationship between the independent variables and ESG reporting compliance among NSE-listed firms. The standard error of the estimate is 1.557, indicating the average deviation of observed values from the predicted values. These findings are crucial in addressing the study's general objective, which seeks to examine how firm characteristics and external pressures influence ESG reporting. Specifically, the model supports the idea that profitability and firm size, both significant in prior correlation results, play substantial roles in explaining ESG practices. However, the relatively modest explanatory power also highlights the need to consider other factors, such as stakeholder influence, which was scoped but not included in this model.

Table 4.5: Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.699[a]	.489	.463	1.557

a. Predictors: (Constant), Regulatory Pressure, Firm Size, Profitability

Source: (Researcher, 2025).

4.5.2 Analysis of Variance (ANOVA).

The ANOVA (see Table 4.6) results provide strong statistical evidence supporting the overall significance of the regression model used to examine the drivers of ESG disclosure and compliance among companies listed on the NSE. The F-statistic value of 18.819 and a p-value of 0.000 ($p < 0.05$) indicate that the combined influence of the independent variables (profitability, firm size, and regulatory pressure) is statistically significant in explaining variations in ESG reporting compliance among the NSE-listed firms. The regression model's sum of squares (136.884) compared to the residual sum of squares (143.053) suggests that a substantial portion of the total variation in ESG reporting compliance is accounted for by the model. This finding supports the study's overarching objective of identifying key organizational and regulatory drivers of ESG disclosure practices. Specifically, it implies that firm-specific attributes, such as size and profitability, alongside external forces like regulatory pressure, collectively play a meaningful role in influencing the level of ESG reporting.

Table 4.6: Results of ANOVA.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	136.884	3	45.628	18.819	.000[b]
	Residual	143.053	59	2.425		
	Total	279.937	62			

a. Dependent Variable: ESG reporting compliance

b. Predictors: (Constant), Regulatory Pressure, Firm Size, Profitability

Source: (Researcher, 2025).

4.5.3 Regression Coefficients

The coefficients table (Table 4.7) reveals critical insights into the individual contributions of profitability, firm size, and regulatory pressure to ESG reporting compliance among NSE-listed companies. The results indicate that when all the three predictors are held constant at zero, ESG reporting compliance among publicly traded firms in Kenya significantly increases by 2.599 units ($p = 0.005$). Profitability emerges as a statistically significant predictor of ESG reporting compliance, with a positive unstandardized coefficient ($B = 0.569$, $p = .001$), indicating that as firms become more profitable, their level of ESG reporting compliance tends to increase. The standardized Beta value of 0.546 further highlights the strength of profitability’s influence relative to other variables in the model. This aligns with the study’s objective three on analyzing how firm profitability impacts ESG disclosure levels, suggesting that profitable firms have more resources to invest in sustainability initiatives or may face greater pressure from stakeholders to demonstrate social responsibility. Additionally, the significance of this result supports the notion that profitability enhances both the capacity and willingness of firms to meet ESG reporting compliance requirements.

Table 4.7: Results of Regression Coefficients.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.599	.881		2.950	.005
	Profitability	.569	.168	.546	3.396	.001
	Firm Size	.359	.316	.182	1.136	.260
	Regulatory Pressure	-.088	.181	-.046	-.488	.628

a. Dependent Variable: ESG reporting compliance

Source: (Researcher, 2025).

On the other hand, firm size and regulatory pressure do not show statistically significant relationships with ESG reporting compliance, with p-values of 0.260 and 0.628, respectively. Although firm size has a positive coefficient (B = 0.359), suggesting that larger firms may be more inclined toward ESG reporting, the lack of significance indicates that size alone does not necessarily drive compliance. Similarly, the negative coefficient for regulatory pressure (B = -0.088) and its insignificant p-value challenge the assumption that external enforcement is a strong motivator for ESG adherence. The results highlight a structural weakness in Kenya's ESG regulatory architecture, where compliance remains largely voluntary and dependent on internal governance priorities rather than external compulsion. This interpretation aligns with institutional theory, which suggests that regulatory legitimacy without coercive mechanisms yields symbolic rather than substantive compliance. Thus, the absence of a significant relationship underscores a compliance gap driven by limited monitoring, inconsistent policy translation, and minimal penalty systems. Future research should therefore integrate mixed-method approaches to capture the experiential dimension of regulatory influence, through qualitative interviews or regulatory audit records, to provide a fuller understanding of how enforcement dynamics shape ESG reporting compliance patterns.

4.6 Chapter Summary

This chapter presents the findings on factors influencing ESG disclosures among NSE-listed companies. Descriptive statistics show relatively high ESG reporting compliance (mean = 6.25) with variability across firms. Profitability and firm size recorded strong positive correlations with ESG reporting compliance ($r = .689$ and $r = .624$, respectively), while regulatory pressure showed no significant relationship. Diagnostic tests confirmed data validity with acceptable multicollinearity. Regression analysis revealed that the three independent variables explain 48.9% of the variance in ESG reporting compliance ($R^2 = 0.489$), with profitability and firm size as significant predictors. ANOVA results confirmed the model's overall significance ($F = 18.819$, $p < 0.05$). However, regulatory pressure lacked significant influence, indicating potential gaps in enforcement. The findings highlight the critical role of internal firm characteristics over external regulatory factors in shaping ESG behavior, suggesting the need for enhanced regulatory mechanisms and stakeholder engagement.

CHAPTER 5: DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the research findings, concludes the study, and makes recommendations for theory, policy, and practice. Specifically, it interprets the findings in relation to existing literature and theoretical frameworks, highlighting whether the results align with or diverge from prior studies. The chapter further outlines conclusions drawn from the analysis and offers actionable recommendations for improving ESG practices. These are directed at theory development, policy formulation, and practical implementation within listed firms and regulatory bodies.

5.2 Summary of Findings

The study yielded several key findings aligned with its objectives and research questions. Correlation analysis revealed that profitability and firm size both have strong, statistically significant positive relationships with ESG reporting compliance, indicating that more profitable and larger firms tend to report higher levels of ESG disclosures. This aligns with the resource-based view, suggesting such firms have the capacity and motivation to invest in sustainable practices. However, regulatory pressure showed no significant correlation with ESG reporting compliance, highlighting a disconnect between regulatory frameworks and corporate ESG behavior. The regression model explained 48.9% of the variance in ESG reporting compliance, with a statistically significant F-value of 18.819, confirming the model's overall relevance. Profitability was the only statistically significant predictor, emphasizing its strong influence on ESG reporting compliance, while firm size and regulatory pressure were not significant predictors. These results reinforce the importance of internal firm characteristics, particularly profitability, over external regulatory forces in driving ESG practices among NSE-listed firms. They also underscore the need for more effective regulatory mechanisms and suggest that ESG strategies should combine policy reform with internal organizational incentives.

5.3 Discussion of Findings

5.3.1 Effect of Firm Size on ESG Disclosure

The second objective of the study aimed to assess the effect of firm size on ESG disclosure levels among publicly traded companies in Kenya. The study findings reveal a statistically significant positive correlation between firm size and ESG reporting compliance, supporting the hypothesis that larger firms tend to disclose more ESG-related information. However, in the regression analysis, firm size showed a positive but statistically insignificant effect, suggesting that while a relationship exists, other variables such as profitability may have a stronger influence on ESG reporting compliance. These results align with the Stakeholder Theory, which asserts that larger firms face heightened scrutiny and expectations from multiple stakeholder groups, including investors, regulators, and communities, and thus are more inclined to report their ESG initiatives to maintain legitimacy and stakeholder support (Freeman, 1984; Michelon et al., 2015). Institutional Theory also supports this outcome, emphasizing mimetic and coercive pressures that compel larger firms to adopt industry-wide best practices and comply with regulatory expectations (DiMaggio & Powell, 1988). The visibility and resource capacity of larger firms make them more capable of meeting ESG standards, even though firm size alone may not directly determine disclosure behavior.

Moreover, the insignificant effect in the regression model suggests a partial confirmation of the proposed theories, particularly Stakeholder and Institutional Theories. While these frameworks correctly predict that larger firms are more visible and thus inclined to ESG disclosures, the empirical insignificance implies that stakeholder scrutiny and institutional pressures alone may not sufficiently explain ESG reporting compliance without considering profitability or regulatory imperatives. This finding prompts a nuanced application of the Legitimacy Theory. According to Legitimacy Theory, firms, especially profitable ones, engage in ESG disclosures to gain or maintain societal approval (Suchman, 1995; Deegan, 2002). However, the limited influence of firm size in the regression analysis implies that larger size, in the absence of strong profitability or regulatory oversight, may not generate sufficient legitimacy pressure to drive ESG disclosures. Thus, firm size appears to act as a contextual rather than causal factor in legitimacy-seeking behavior.

Despite the positive correlation observed, the regression results indicate that firm size, when considered alongside profitability and regulatory pressure, does not significantly predict ESG reporting compliance. This outcome challenges the dominant assumption in empirical literature that larger firms consistently disclose more (Bissoondoyal-Bheenick et al., 2023; Bolibok, 2024). The insignificance in the regression model may reflect the complex interplay of multiple drivers where firm size operates more as a contextual factor rather than a direct influencer. From a Legitimacy Theory perspective, firm size may not always equate to higher legitimacy-seeking behavior unless profitability or public exposure necessitates such reporting (Rahman & Alsayegh, 2021). Moreover, Suprianto and Gunarsih's (2024) findings echo this ambiguity by suggesting that increasing firm size might sometimes dilute the positive effects of ESG efforts, particularly if firms struggle to coordinate disclosures across expansive operations. These nuances highlight the need to consider firm size not as a standalone driver but in interaction with other factors such as industry type, stakeholder demands, and financial capacity. Thus, while larger firms have the structural advantage to disclose ESG information, such disclosure is often motivated by a blend of internal strategies and external expectations.

5.3.2 Influence of Profitability on ESG Disclosure

The third objective of this study focused on analyzing the influence of firm profitability on the extent of ESG disclosures among NSE-listed companies. The findings of this study reveal a strong and statistically significant positive relationship between firm profitability and ESG reporting compliance, underscoring profitability as a key driver of sustainability reporting among NSE-listed companies. The regression analysis further confirms this relationship, indicating that profitability is a significant predictor of ESG reporting compliance. These results suggest that profitable firms are more likely to invest in ESG-related initiatives and disclose such activities transparently. This aligns closely with Stakeholder Theory, which posits that financially stable firms are better positioned to meet the informational needs and expectations of diverse stakeholders (Freeman, 1984; Wang, 2024). Profitability enables firms to allocate resources toward sustainability efforts, fulfilling social obligations and signaling corporate responsibility. Similarly, Legitimacy Theory supports this finding by asserting that profitable firms operate under heightened public scrutiny and are compelled to legitimize their operations through transparent ESG disclosures (Rahman & Alsayegh, 2021). In a resource-abundant setting, firms may use ESG reporting as a tool to strengthen investor confidence, maintain reputational capital, and comply with the expectations of regulatory bodies like CMA and NSE.

Therefore, the results of this study provide empirical support for both Stakeholder and Legitimacy Theories, confirming their relevance in explaining the behavior of profitable firms with respect to ESG reporting compliance on the NSE. Stakeholder Theory is validated through the demonstrated role of profitability in facilitating stakeholder-responsive disclosures, while Legitimacy Theory is affirmed by the evidence that profitable firms are more inclined to disclose ESG information in response to societal expectations and scrutiny.

These results resonate with prior empirical studies that argue profitability positively influences the depth and breadth of ESG disclosures. For instance, Gamerschlag et al. (2010) found that highly profitable German firms disclosed more comprehensive sustainability information to enhance their corporate image and meet stakeholder demands. Similarly, Wachira (2017) identified a positive relationship between profitability and corporate social disclosures in Kenya, reinforcing the findings of this study. However, this result stands in contrast with research by Reverte (2009), which found no significant relationship between profitability and ESG reporting among Spanish firms, suggesting that profitability alone may not universally predict ESG disclosure behaviors. Institutional Theory offers a nuanced perspective here by highlighting that contextual factors, such as regulatory environments and societal expectations, modulate how profitability influences disclosure. While profitability equips firms with the capability to engage in ESG practices, whether they choose to disclose may still depend on industry-specific norms or mimetic pressures (Scott, 2014). Hence, Institutional Theory is partially supported by these findings, especially in explaining the variability in ESG disclosure practices across different regulatory or cultural settings. The contrast with Reverte (2009) also suggests that mimetic or normative pressures in Kenya may reinforce the link between profitability and ESG disclosure, underscoring the importance of institutional context.

5.3.3 Effect of Regulatory Pressure on ESG Disclosure

The fourth objective of this study sought to evaluate the effect of regulatory pressure on ESG reporting compliance among NSE-listed companies. Surprisingly, the statistical analysis reveals that regulatory pressure had an insignificant and negative effect on ESG reporting compliance, despite the expectation that regulation would drive reporting behaviors. This weak correlation suggests that even though regulatory frameworks exist in Kenya, they may lack the enforcement strength to compel consistent ESG disclosure. This result contrasts sharply with Institutional Theory, which posits that coercive pressures, such as legal and regulatory requirements, should drive firms to conform to socially acceptable reporting practices (Scott, 2014). This contradiction suggests that coercive mechanisms in Kenya are either insufficiently enforced or poorly aligned with firm-level ESG practices, thereby diminishing their intended impact. It also diverges from Legitimacy Theory, which assumes that companies respond to regulatory scrutiny to maintain societal approval and operational legitimacy (Deegan, 2002; Cardillo & Basso, 2025). Nevertheless, the findings echo observations by Wachira and Alala (2022), who highlighted that limited institutional capacity and weak enforcement mechanisms reduce regulatory effectiveness in Kenya. Therefore, while ESG guidelines are in place, their influence is muted without robust oversight or consequences for non-compliance.

The study's findings also align with critiques in empirical literature, which point to discrepancies in ESG adoption across sectors and firms despite existing mandates. For instance, Kimani and Mutuku (2023) argued that inconsistencies in regulatory implementation have resulted in uneven ESG disclosure practices across NSE-listed firms. This observation is reflected in the study's high ESG reporting compliance range (2–9), signaling varied levels of commitment. Interestingly, although Liang and Renneboog (2017) found strong correlations between regulation and ESG performance in more mature economies, this study suggests that such dynamics may not hold in developing markets like Kenya. Furthermore, Stakeholder Theory would anticipate firms responding to regulatory pressure to maintain trust and fulfill stakeholder expectations (Freeman, 1984), yet the weak influence found suggests that stakeholder voice, particularly regulators, may be marginalized. These results call for not just regulatory frameworks but also institutional reforms, capacity-building efforts, and perhaps normative shifts in corporate culture to make ESG reporting compliance more than a symbolic gesture. Thus, integrating Institutional, Legitimacy, and Stakeholder theories reveals that while theoretical expectations point to strong regulatory influence, the Kenyan context demonstrates how weak enforcement and institutional inefficiencies can undermine this theoretical alignment. Ultimately, these findings highlight that in the Kenyan context, regulation alone may be insufficient to influence ESG behavior without stronger enforcement and stakeholder engagement.

5.4 Conclusion

5.4.1 Effect of Firm Size on ESG Disclosure

In answering the second research question, the study reveals that firm size has a positive correlation with ESG disclosure levels among NSE-listed companies, indicating that larger firms are generally more inclined to disclose ESG-related information. However, while the correlation is statistically significant, the regression analysis suggests that firm size alone does not significantly predict ESG reporting compliance when considering other factors such as profitability and regulatory pressure. This finding challenges the assumption that larger firms always disclose more ESG information. The study highlights that, although larger firms may have more resources and visibility to meet ESG standards, their disclosure behavior is influenced by a combination of internal factors, such as profitability, and external variables, including regulatory and stakeholder expectations. Therefore, while firm size does play a role in enhancing ESG disclosures, it is not the sole determinant; other drivers such as financial performance and regulatory pressure appear to exert more direct influence on the extent of ESG reporting compliance.

5.4.2 Influence of Profitability on ESG Disclosure

Regarding the third research question, the study findings demonstrate that firm profitability has a significant positive impact on ESG disclosures among NSE-listed companies. The strong correlation and regression results confirm that profitable firms are more likely to engage in ESG-related initiatives and disclose them transparently. This relationship highlights that profitability provides firms with the financial capacity to allocate resources towards sustainability efforts, which, in turn, enhances their ESG reporting. Such firms are not only driven by the need to meet stakeholder expectations but also to maintain their legitimacy and corporate reputation. Profitability enables these firms to adopt best practices in ESG reporting compliance and align with regulatory expectations, especially from bodies like the CMA and NSE. Therefore, the study findings suggest that profitability plays a crucial role in driving ESG disclosure behavior, positioning it as a key factor that influences how publicly traded companies in Kenya approach sustainability reporting. However, this influence may also be moderated by other contextual factors such as industry norms and societal expectations.

5.4.3 Effect of Regulatory Pressure on ESG Disclosure

In addressing the fourth research question, the study reveals that regulatory pressure does not significantly influence ESG reporting compliance among NSE-listed companies. Despite the existence of ESG frameworks in Kenya, the weak and negative correlation found between regulatory pressure and ESG disclosure suggests that these regulations lack sufficient enforcement mechanisms to drive consistent compliance. The findings challenge the expectations of both Institutional and Legitimacy Theories, which assume that firms will adhere to regulatory requirements to maintain legitimacy and meet societal expectations. This weak effect indicates that regulatory pressure alone is not enough to compel companies to fully embrace ESG reporting in Kenya. The results point to the need for stronger regulatory enforcement, institutional capacity-building, and enhanced stakeholder engagement to make ESG reporting compliance more than just a token gesture. Thus, while regulatory frameworks are in place, they require significant strengthening to effectively drive ESG reporting compliance, ensuring that companies are not only aware of the guidelines but are also held accountable for non-compliance.

5.5 Recommendations

5.5.1 Recommendations for Theory

Given the research findings, the study recommends that theoretical models, especially Institutional and Legitimacy Theories, be expanded to incorporate the specific challenges faced by companies in developing countries. In Kenya, regulatory pressure did not significantly impact ESG disclosures, which raises questions about the applicability of these traditional theories in such settings. Future theoretical research could explore hybrid models that take into account coercive pressures (such as regulation) and voluntary compliance influenced by firm-level motivations, stakeholder engagement, and industry-specific characteristics. Additionally, a stronger emphasis could be placed on the role of weak enforcement mechanisms and the varying capacities of institutions in shaping ESG reporting behavior of publicly traded companies. To reflect the reality of ESG reporting compliance in developing economies, theories should consider the role of social norms, institutional capacity, and local regulatory frameworks. This study extends the existing body of knowledge by empirically demonstrating that in contexts with weak regulatory enforcement, voluntary and normative mechanisms, such as firm profitability and organizational legitimacy, serve as stronger predictors of ESG reporting compliance than coercive institutional pressures. This finding nuances the application of Institutional Theory by highlighting its conditional relevance in emerging markets where institutional voids persist. By adapting these existing theories to the Kenyan context, scholars can develop more accurate models for understanding the drivers of ESG disclosure and compliance among listed firms in other emerging economies.

5.5.2 Recommendations for Policy

The findings of this study point to a clear gap between the regulatory frameworks in place and their effectiveness in driving ESG disclosure compliance among NSE-listed companies. Policy reforms should focus on strengthening the enforcement of ESG regulations by establishing clear, enforceable consequences for non-compliance. This includes enhancing institutional capacity within regulatory bodies such as the CMA and NSE to better monitor and enforce ESG reporting. Additionally, policy efforts should aim at increasing transparency and accountability within the regulatory process, ensuring that all listed companies are held to the same standards. In addition to regulatory enforcement, policymakers should foster a culture of sustainability by incentivizing ESG disclosures, possibly through tax breaks, public recognition, or other rewards for publicly traded companies that go beyond basic compliance. Encouraging collaboration between stakeholders, including regulators, firms, and investors, could also play a vital role in increasing the overall effectiveness of ESG policies. As such, policy reform should focus on both tightening regulations and offering incentives for exemplary ESG practices. The study's policy contribution lies in revealing that regulatory design without adequate enforcement fails to generate compliance momentum, thus extending prior empirical findings from developed contexts (e.g., Europe and North America) to the sub-Saharan African setting. This contextual insight advances the literature by emphasizing that institutional strength, rather than regulation alone, determines ESG adoption in emerging capital markets.

5.5.3 Recommendations for Practice

For corporate practice, the study's findings suggest that firms listed on the NSE should move beyond minimal compliance with ESG regulations and work towards integrating ESG factors into their core business strategies. This involves not just meeting regulatory requirements but also proactively engaging with stakeholders to enhance transparency and build a robust ESG reporting culture. Companies should invest in internal capacity-building, such as training staff and developing the necessary systems for comprehensive ESG reporting. Furthermore, the findings indicate that larger and more profitable companies are more likely to disclose ESG information; thus, smaller firms should be encouraged to adopt similar practices through targeted incentives and guidance. Companies should also embrace a more holistic approach to ESG, considering the long-term reputational and financial benefits of strong ESG performance. Collaborating with industry peers and participating in multi-stakeholder dialogues could also help companies stay ahead of ESG trends, improving their compliance and strengthening their social license to operate.

Practically, the study enriches global ESG literature by illustrating that firm-level economic capability (profitability) and structural characteristics (size) remain consistent determinants of ESG disclosure, supporting prior international evidence while contextualizing it to a frontier market. This finding strengthens the generalizability of corporate sustainability theories beyond developed economies.

5.6 Limitations of the Study

While this study provides valuable insights into the determinants of ESG disclosure among NSE-listed companies, it is not without limitations. Firstly, the study relied on secondary data derived from company disclosures, which may be incomplete or biased, especially in cases where ESG reporting is voluntary. The accuracy and consistency of ESG information across companies also varied significantly, potentially affecting the reliability of the results. Moreover, the cross-sectional design used for data analysis offers only a snapshot in time, limiting the ability to observe longitudinal changes or trends in ESG behavior across different reporting cycles. Another limitation stems from the narrow focus on three predictors namely; firm size, profitability, and regulatory pressure, excluding other potentially influential factors such as industry characteristics, board composition, market competition, or investor activism.

Secondly, while the study applied robust statistical techniques, including correlation and regression analysis, some unexpected findings, such as the insignificant effect of regulatory pressure, could be attributed to contextual and institutional factors unique to Kenya's capital market. This highlights a limitation in generalizability, as the findings may not fully apply to other developing or developed markets with different regulatory environments. Additionally, qualitative dimensions of ESG motivations and internal firm culture were not explored, which could have provided deeper insights into why some firms engage in extensive ESG reporting despite weak external pressures. Lastly, the study was constrained by the limited availability of ESG data across all NSE-listed firms, which affected sample size and potentially limited the robustness of inferences.

5.7 Areas for Further Studies

Future research should explore a broader array of internal and external determinants of ESG reporting compliance, including corporate governance structures, board diversity, stakeholder activism, and industry-specific sustainability risks. Longitudinal studies are particularly recommended to track changes in ESG disclosure behavior over time and assess the dynamic effects of evolving regulations and stakeholder expectations. This would provide a more nuanced understanding of how ESG practices develop in response to shifting institutional, financial, and societal landscapes. Researchers could also incorporate mixed-methods approaches, combining quantitative analysis with qualitative interviews of company executives, regulators, and sustainability officers to gain insights into the underlying motivations and constraints that shape ESG reporting practices.

Additionally, comparative studies between firms listed on the NSE and those in other regional or international exchanges could be valuable in identifying best practices and benchmarking ESG reporting compliance standards. Given the study's finding that regulatory pressure in Kenya has a limited effect, future research could investigate the role of enforcement quality and institutional accountability in driving ESG adherence. Studies could also assess the effectiveness of ongoing ESG training programs, stakeholder awareness initiatives, and the influence of external ESG rating agencies on company behavior. By revealing that profitability and firm size predict ESG disclosure more strongly than regulatory enforcement, this study adds to the growing literature that redefines ESG reporting compliance as a function of internal strategic capability rather than solely external control. Future researchers can build on this evidence to develop integrated models that blend financial, institutional, and behavioral determinants of ESG reporting in emerging economies.

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APPENDICES

Appendix I: Disclosure Index for ESG Reporting by NSE-Listed Companies

Company:……………………………………………….……. Year:……………………………

Category	Disclosure	
	Reported (1)	Not Reported (0)
Strategy and Analysis		
1.1 Statement from the most senior decision-maker of the organization		
1.2 Description of key impacts, risks, and opportunities		
Organizational Profile		
2.1 Name of the organization		
2.2 Primary brands, products, and/or services		
2.3 Operational structure of the organization		
2.4 Location of organization's headquarters		
2.5 Number of countries where the organization operates		
2.6 Nature of ownership and legal form		
2.7 Markets served		
2.8 Scale of the reporting organization		
2.9 Significant changes during the reporting period		
2.10 Awards received in the reporting period		
2.11 Regulatory compliance		
2.12 Supply chain screening		
Report Parameters		
3.1 Reporting period		
3.2 Date of most recent previous report		
3.3 Reporting cycle		
3.4 Contact point for questions regarding the report		
3.5 Process for defining report content		
3.6 Boundary of the report		
3.7 State any specific limitations on the scope or boundary		
3.8 Basis for reporting on joint ventures, subsidiaries, etc.		
3.9 Data measurement techniques and bases of calculations		
3.10 Significant changes from previous reporting periods		
3.11 Table identifying the location of the Standard Disclosures		
3.12 ESG impacts reporting boundary		
3.13 Framework for ESG reporting		
Governance, Commitments, and Engagement		
4.1 Governance structure of the organization		
4.2 Indicate whether the Chair of the highest governance body is also an executive officer		
4.3 State the number of members of the highest governance body that are independent/non-executive members		
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body		
4.5 Linkage between compensation for members of the highest governance body, etc.		
4.6 Internally developed statements of mission or values, codes of conduct, etc.		
4.7 Externally developed economic, environmental, and social charters, principles, etc.		
4.8 Memberships in associations and advocacy organizations, etc.		

4.9 List of stakeholder groups engaged by the organization		
4.10 Basis for identification and selection of stakeholders, etc.		
4.11 Approaches to stakeholder engagement, etc.		
4.12 Key topics and concerns raised through stakeholder engagement, etc.		
4.13 Approach to identifying and prioritizing stakeholders		
4.14 Stakeholder engagement strategies for prioritized stakeholders		
Product and Service Impact		
FS1 Policies with specific environmental and social components, etc.		
FS2 Procedures for assessing and screening environmental and social risks, etc.		
FS3 Processes for monitoring clients' implementation of environmental and social requirements, etc.		
FS4 Process(es) for improving staff competency, etc.		
FS5 Interactions with clients/investees/business partners, etc.		
FS7 Monetary value of products and services for specific social benefit, etc.		
FS8 Monetary value of products and services for specific environmental benefit, etc.		
FS9 Coverage and frequency of audits to assess implementation, etc.		
FS11 Percentage of assets subject to positive and negative screening, etc.		
Economic - Performance Indicators		
EC1 Direct economic value generated and distributed, etc.		
EC5 Range of ratios of standard entry-level wage compared to local minimum wage, etc.		
EC7 Procedures for local hiring and proportion of senior management, etc.		
EC8 Development and impact of infrastructure investments, etc.		
EC9 Understanding and describing significant indirect economic impacts, etc.		
EN3 Direct energy consumption by primary energy source, etc.		
EN5 Energy saved due to conservation and efficiency improvements, etc.		
EN6 Initiatives to provide energy-efficient or renewable energy, etc.		
EN7 Initiatives to reduce indirect energy consumption, etc.		
EN18 Initiatives to reduce greenhouse gas emissions, etc.		
EN26 Initiatives to mitigate environmental impacts, etc.		
EN27 Environmental compliance		
EN28 Emissions (Carbon footprint assessment)		
Labor Practices and Decent Work		
LA1 Total workforce by employment type, etc.		
LA4 Percentage of employees covered by collective bargaining agreements, etc.		
LA5 Minimum notice period(s) regarding significant operational changes, etc.		
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees, etc.		
LA8 Education, training, counseling, prevention, etc.		
LA9 Health and safety topics covered in formal agreements, etc.		
LA10 Average hours of training per year per employee, etc.		
LA11 Programs for skills management and lifelong learning, etc.		
LA13 Composition of governance bodies and breakdown of employees per category according to diversity, etc.		
Human Rights - Performance Indicators		
HR1 Percentage and total number of significant investment agreements with human rights clauses, etc.		
HR4 Total number of incidents of discrimination, etc.		

HR6 Operations identified as having significant risk for incidents of child labor, etc.		
Society - Performance Indicators		
FS13 Access points in low-populated or economically disadvantaged areas, etc.		
FS14 Initiatives to improve access to financial services, etc.		
SO2 Percentage and total number of business units analyzed for risks related to corruption, etc.		
SO3 Percentage of employees trained in the organization's anti-corruption policies, etc.		
SO4 Actions taken in response to incidents of corruption, etc.		
SO5 Public policy positions and participation in public policy development, etc.		
SO6 Consumer protection		
SO7 Data privacy		
Product Responsibility - Performance Indicators		
FS15 Policy for fair design and sale of financial products and services, etc.		
PR3 Type of product and service information required, etc.		
FS16 Initiatives to enhance financial literacy, etc.		
PR6 Programs for adherence to laws, standards, etc.		
PR7 Ambitions and future targets		
PR8 Assurance Statement		
PR9 GRI Content Index		
TOTAL ACHIEVED		
TOTAL APPLICABLE		
LEVEL OF COMPLIANCE %		

Appendix II: SU-ISERC Approval Letter

Strathmore UNIVERSITY

9th December 2024

Ms Tulesi Ivy,
vulechelwa.tulesi@strathmore.edu

Dear Ms Tulesi,

RE: Level of Compliance of Nairobi Securities Exchange Environmental, Social and Governance Reporting Requirements by Listed Companies

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** proposal. Your application reference number is **SU-ISERC2451/24.** The approval period is from **9th December 2024 to 8th December 2025.**

This approval is subject to compliance with the following requirements:

i. Only approved documents including (informed consents, study instruments, MTA) will be used.
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
v. Clearance for the export of biological specimens must be obtained from relevant institutions.
vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) https://research-portal.nacosti.go.ke/ and obtain other clearances needed.

Yours sincerely,

Mr Ambrose Rachier,
Chairperson; SU-ISERC

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Appendix III: National Commission for Science, Technology, and Innovation Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 473325

Date of Issue: 04/December/2024

RESEARCH LICENSE

This is to Certify that Miss.. Ivy Valechelwa Tulesi of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: LEVEL OF COMPLIANCE OF NAIROBI SECURITIES EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING REQUIREMENTS BY LISTED COMPANIES for the period ending : 04/December/2025.

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473325

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