



# STATE OF CORPORATE GOVERNANCE FOR ISSUERS OF SECURITIES

**2025**

**GOVERNANCE EXCELLENCE IN KENYA'S CAPITAL MARKETS**

*Attaining leadership and shaping capital markets future in Kenya.*

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## **DISCLAIMER**

This Report on the State of Corporate Governance of Issuers of Securities to the Public in Kenya is a publication of the Capital Markets Authority on the status of corporate governance for issuers of securities to the public in Kenya. While reasonable care has been taken in the preparation of this report, the Authority accepts no responsibility or liability whatsoever resulting from the use of information contained herein. Please note that the CMA has no objection to the material contained herein being referenced, provided an acknowledgement of the same is made. Any comments or suggestions on any of the details may be sent to [issuergovernance@cma.or.ke](mailto:issuergovernance@cma.or.ke)

## **ABBREVIATIONS**

<b>AGM</b>	Annual General Meeting
<b>CG Code</b>	The Code of Corporate Governance Practices For Issuers of Securities to the Public 2015
<b>CMA</b>	Capital Markets Authority
<b>ESG</b>	Environmental, Social and Governance
<b>FY</b>	Financial Year
<b>IFC</b>	International Finance Corporation
<b>IFRS</b>	International Financial Reporting Standards
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>POLD Regulations 2023</b>	The Capital Markets (Public Offers, Listings and Disclosures) Regulations, 2023
<b>TCFD</b>	Task Force on Climate-related Financial Disclosures

## 1. FOREWORD

### 1.1. Message From Chief Executive Officer, Capital Markets Authority (Kenya), FCPA, Wyckliffe Shamiah, MBS



It is with immense pride and a deep sense of collective purpose, that I present the 8th Edition of the State of Corporate Governance Report of the issuers of securities to the public in Kenya, a Report that, for the second time in its history, carries news of a Leadership Rating for Kenya's listed issuers. The annual weighted overall governance score has risen to 78.88% in the financial year 2024/2025, up from 73.56% in FY 2023/2024, a 5.32% improvement that marks a decisive crossing from good governance to governance leadership.

This milestone did not arrive overnight. When we published the first edition of this Report, Kenya's issuers stood at a Fair Rating of 55% in FY 2017/2018. Over seven years, through deliberate regulatory reform, sustained capacity building and the growing conviction of boards and management that governance is a strategic asset, not a compliance burden, our issuers have advanced by nearly 24 percentage points. That journey is a testament to what is possible when a regulator, the market and its participants share a common vision of excellence.

**78.88% Leadership Rating | FY 2024/2025** ▲ +5.32% from FY 2023/2024 |  
+23.88% since FY 2017/2018

This edition also records a landmark across the board: all governance principles under the CMA Corporate Governance Code attained a Leadership Rating in FY 2024/2025. Accountability, Risk Management and Internal Control led at 84.47%, reflecting the internalization of board-level

oversight and strategic decision-making roles and responsibilities. Board Operations and Control registered the most significant single-year improvement at 9.44 percentage points, from 67.93% to 77.37%, driven in large part by issuers' compliance with the Capital Markets (Public Offers, Listings and Disclosures) Regulations, 2023 including the requisite appointment of Independent Non-Executive Directors and Non-Executive Directors in line with the new requirements.

Kenya's progress resonates within a demanding global and continental context. The revised G20/OECD Principles of Corporate Governance, the African Union's Agenda 2063 and the imperatives of the African Continental Free Trade Area all underscore that governance quality is the bedrock of sustainable investment and market credibility. Against these benchmarks, Kenya's capital markets are increasingly competitive attracting the attention of institutional investors, development finance institutions and ESG focused funds that view governance scores as a primary filter for capital deployment.

Looking ahead, the Authority is advancing on three critical fronts. First, in partnership with the IFC, NSE and listed issuers, the CMA will finalize the development of an ESG Code establishing binding expectations for the integration of Environmental and Social factors into issuer strategy, operations, risk management and disclosure. The Code will be aligned with IFRS S1 and S2 standards ensuring international credibility and domestic applicability. Second, we have conducted a comprehensive ESG assessment to refine our Policy Framework and align Kenya's disclosure practices with the IFRS S1 and S2 standards and the TCFD framework positioning our market to capture the growing wave of sustainability focused capital. Third, we are embedding Artificial Intelligence, machine learning and blockchain technology into our supervisory and reporting infrastructure, establishing the capital markets in Kenya as a RegTech leader in the region and enhancing the speed, depth and integrity of governance oversight.

To our issuers, boards and management teams: this Leadership Rating is both a recognition and a responsibility. To our investors and market participants: this Report is your assurance that Kenya's capital markets are governed with increasing rigor and ambition. And to our regional and global peers: Kenya's capital markets is raising its hand as a governance benchmark for Africa.

The road ahead demands that we do not rest on this achievement but use it as a foundation. I invite every stakeholder to read this Report not merely as a record of where we have been but as a roadmap for where we are going together.

**1.2. Message from Director, Markets Operations, Capital Markets Authority (Kenya), Mr. Daniel Warutere**



Every transaction executed on Kenya's capital markets, every bond issued, every share listed, every fund raised, rests on a foundation of trust. Trust that the companies behind those instruments are governed with integrity. Trust that the boards overseeing them are independent, informed and accountable. Trust that the numbers disclosed reflect reality. That trust is not built by words alone. It is built quarter by quarter, board resolution by board resolution, disclosure by disclosure. The 8th Edition of this Report tells us that trust is deepening.

From the vantage point of the market, the improvement in governance scores is not an abstraction, it is a market signal. When boards are better constituted, risk frameworks more rigorous and disclosures more transparent, the market responds: with stronger participation, deeper liquidity and growing investor confidence. The Leadership Rating of 78.88% achieved by Kenya's issuers in FY 2024/2025 is, in market terms, a re-rating of the quality premium embedded in Kenya's listed securities in as far as governance aspects are concerned.

<b>Market Signal</b> Leadership Rating of 78.88% reflects a re-rating of governance quality across all listed issuers.	<b>Board Integrity</b> +9.44% in Board Operations and Control principle, the clearest structural improvement in board constitution since reporting began under the	<b>Risk Rigor</b> 84.47% in Accountability & Risk Management principle, boards owning oversight, not just delegating it.
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	new POLD Regulations 2023.	
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The most operationally significant finding of this edition is the 9.44 percentage point improvement in Board Operations and Control principle, the largest single-principle gain recorded in this Report. For the market, this matters profoundly. An independent, well-structured board is the first line of defense against the governance failures that erode market integrity: related-party conflicts, earnings manipulation, inadequate disclosures and the slow accumulation of risks that eventually surface as market shocks. The designation of Independent Non-Executive Directors and Non-Executive Directors under the POLD Regulations 2023 is not a formality, it is architecture. And this Report confirms that the architecture is being built.

In markets, governance is the invisible infrastructure. You don't see it when it works but you feel its absence acutely when it fails. The 8th Edition tells us Kenya's invisible infrastructure is stronger than it has ever been.

Africa is at an inflection point in its capital market evolution. The African Continental Free Trade Area has opened new corridors for cross-border capital flows and institutional investors from London to Lagos, from Singapore to São Paulo are actively benchmarking African markets against global governance standards. Kenya's Leadership Rating places our market on the right side of that evaluation and we are committed to ensuring it stays there.

Our work is to ensure that the governance improvements captured in this edition are not cyclical responses to regulatory pressure but permanent features of how Kenya's issuers operate. That requires embedding governance into the operational DNA of listed companies in their succession planning, their stakeholder engagement, their ESG disclosures and their adoption of technology-enabled oversight. It requires issuers to move from treating governance as a reporting obligation to wielding it as a competitive instrument.

We are advancing a data-driven supervision model that will transform how governance is monitored in real time. By harnessing Artificial Intelligence and machine learning, we are developing early-warning systems capable of detecting governance deterioration before it becomes market disruption. We are looking forward to starting to observe and measure governance practices on a continuous basis as opposed to on an annual basis.

To every issuer whose governance score improved: this Report is your recognition. To every board that reconstituted itself, appointed independent directors & non-executive directors in line with the new requirements and strengthened risk management systems: the market noticed. To investors, domestic and international: capital markets in Kenya is governed. And to the continent: the standard has been set.

## 2. EXECUTIVE SUMMARY

One of the most notable achievements is the improvement in the annual weighted overall governance score for all issuers. The score increased from 73.56% (Good Rating) in the 2023/2024 financial year to 78.88% (Leadership Rating) in the 2024/2025 financial year, representing a 5.32% improvement. This upward trend signals strengthened commitment by issuers to align their governance frameworks with regulatory expectations and best practices. The improvement further reflects the growing recognition by boards and management of the role of good corporate governance in promoting transparency, accountability, investor confidence and overall market integrity.

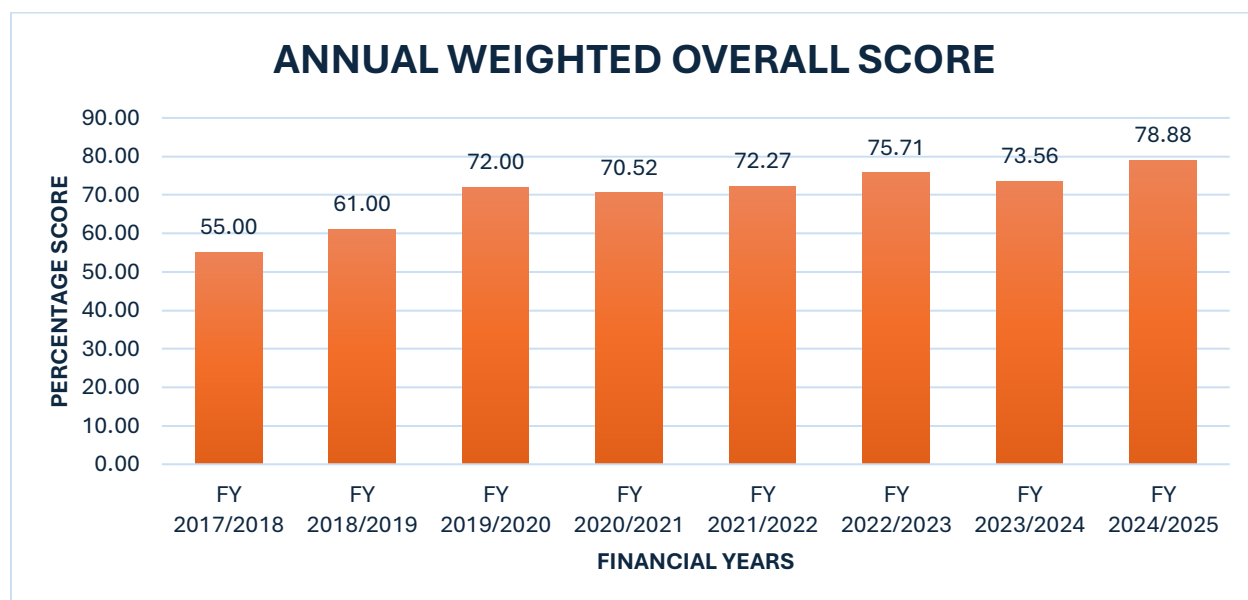


Figure 2.1: Annual Weighted Overall Score by all Issuers

The assessment also showed encouraging progress across the various governance principles under the Code, with all principles attaining a Leadership Rating during the 2024/2025 financial year. Among the principles, Accountability, Risk Management and Internal Control recorded the highest performance at 84.47% (Leadership Rating), reflecting enhanced oversight by boards in establishing effective internal control systems, strengthening risk management frameworks and promoting responsible corporate stewardship.

Significant improvements were also observed in several principles compared to the previous financial year. In particular, Board Operations and Control registered the most notable improvement, increasing by 9.44% from 67.93% (Good Rating) in FY 2023/2024 to 77.37% (Leadership Rating) in FY 2024/2025. This improvement was largely driven by issuers realigning board composition to comply with regulatory requirements, including the designation of

Independent Non-Executive Directors and Non-Executive Directors as required under the Capital Markets (Public Offers, Listings and Disclosures) Regulations, 2023 (POLD Regulations, 2023).

Overall, the assessment highlights meaningful progress in the governance landscape among issuers, as evidenced by the improved overall score and strong performance across the principles. At the same time, the findings provide valuable insights into areas where issuers can continue to enhance governance practices.

### 3. BACKGROUND

Since the 2017/2018 financial year, issuers of securities to the public have been assessed annually on their corporate governance practices against the principles, recommendations and guidelines outlined in the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 (“the Code”). This Code, issued by the Authority, requires issuers to implement their provisions and report on their application at the end of each financial year. To ensure impartiality and accuracy, the Authority independently evaluates the issuers' self-assessment reports alongside publicly available and accessible information, culminating in the issuance of a comprehensive report to each issuer.

The *State of Corporate Governance Report* compiles the results of these assessments, presenting an objective evaluation of the level of compliance and adherence to governance standards by all issuers. Published annually on the Authority's website, this report not only highlights areas of commendable performance but also identifies gaps that require improvement including new developments, fostering a culture of transparency, accountability and continuous enhancement of good governance and sustainability practices.

In line with Clause 1.1.1 of the Code, the Authority encourages issuers to go beyond the minimum standards prescribed by legislation. While statutory requirements establish a necessary baseline for compliance and market discipline, leading governance practices are dynamic and evolve in response to changing investor expectations, technological developments, sustainability considerations and global best practice. Issuers that adopt higher standards demonstrate proactive leadership, enhance board effectiveness, improve risk oversight and strengthen stakeholder confidence.

This year marks the second consecutive year of assessing issuers' application of corporate governance practices in accordance with the Code. This follows the requirement under Clause 8 of the Thirteenth Schedule to the *Capital Markets (Public Offers, Listings and Disclosures) Regulations, 2023*, which mandates every issuer to comply with the Code. The mandatory language of the Regulations firmly settled the previous debate on whether compliance with the Code was voluntary or merely aspirational. With enforceability now embedded in legislation, adherence to the Code is no longer optional but a continuing legal obligation for issuers. This is particularly important as it moves the focus from transition and awareness to demonstrable implementation and consistency of good governance practices.

## **4. ASSESSMENT METHODOLOGY**

### **4.1. Governance Assessment Tools**

The Corporate Governance Self Reporting Template, Corporate Governance Scorecard and Assessment Methodology serve as pivotal instruments for reporting, assessing and monitoring the implementation of the CG Code's principles, recommendations and guidelines.

Issuers utilize the Corporate Governance Self Reporting Template to disclose their adherence to governance requirements and reveal the status of each requirement's application. Issuers are encouraged to provide detailed explanations and relevant sources of information on how they have applied the various principles, recommendations and guidelines of the CG Code.

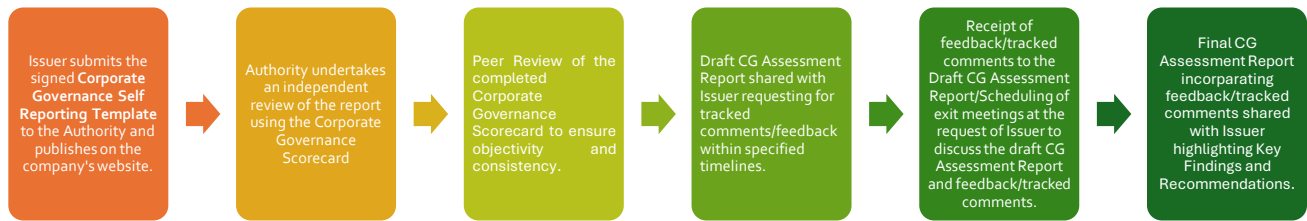
Through Circular No. MRT/CMA/004/2017 on the Format for Reporting the Application of the CG Code, the Capital Markets Authority directed issuers to duly complete and sign the Corporate Governance Self-Reporting Template, submit it to the Authority and publish it on the company's website within four (4) months after the end of the issuer's financial year.

Upon receipt of the completed Template, the Authority evaluates the issuer's level of implementation using its internal Corporate Governance Scorecard, while also considering publicly available and accessible information. The Scorecard assesses performance across the seven (7) principles of the CG Code, namely: commitment to good corporate governance; board operations and control; rights of shareholders; stakeholder relations; ethics and social responsibility; accountability, risk management and internal control; and transparency and disclosure.

### **4.2. Governance Assessment Process**

The assessments of Corporate Governance Practices by issuers is based on the completed Corporate Governance Self Reporting Template and publicly available and accessible information such as Annual Reports, company's Websites, Notices, Circulars, Articles of Association, Resolutions of Shareholders' Meetings, Board Charter, Media Publications, Codes of conduct, Sustainability Reports, Policies and other sources of public information as available. To reduce assessor subjectivity and strengthen accuracy and consistency in the review process, a system of checks and balances is implemented through peer review.

Additionally, the Authority shares the draft Assessment Reports with issuers and invites them to provide tracked comments and any supplementary documentation to improve the accuracy and completeness of the report. Where requested by an issuer, the Authority also holds virtual exit meetings to deliberate on the draft findings and the issuer's feedback before finalizing and issuing the Corporate Governance Assessment Report.



Under the Corporate Governance Scorecard used by the Authority to assess implementation of the CG Code, an issuer is awarded zero (0) points for each question where the practice has not been observed, one (1) point where it has been partially observed, two (2) points where it has been fully observed and three (3) points where the issuer has gone above and beyond the requirements of the Code.

Based on the overall score attained, issuers are classified into four categories: Leadership Rating (75% and above), Good Rating (65%–74%), Fair Rating (50%–64%), and Needs Improvement Rating (below 50%).

#### 4.3. Governance Assessment Analysis

The CG Assessment process considers unique situations where certain sectors namely Automobiles & Accessories, Telecommunications and Investment Services each comprise only one issuer.

To preserve anonymity, these sectors were merged with similar categories. This approach enables a more meaningful and robust analysis of the governance and sustainability landscape, supports improved comparability and provides deeper insight into governance and sustainability practices. As a result:

1. Automobiles & Accessories was consolidated with Manufacturing & Allied.
2. Telecommunications was consolidated with Commercial & Services; and
3. Investment Services was consolidated with Investments.

	<b>Sectors</b>	<b>Number of Issuer</b>
1.	Banking	<b>10</b>
2.	Commercial Services and Telecommunications	<b>11</b>
3.	Automobiles & Accessories and Manufacturing & Allied	<b>7</b>
4.	Energy & Petroleum	<b>3</b>
5.	Insurance	<b>6</b>
6.	Agricultural	<b>6</b>
7.	Investment and Investment Services	<b>3</b>
8.	Construction & Allied	<b>3</b>
9.	Non-Listed	<b>4</b>
	<b>TOTAL</b>	<b>53</b>

This was based on the assessment of **53 Issuers** who completed their Corporate Governance Self Reporting Template and submitted their reports to the Authority. However, it is important to note that two issuers were assessed as one hence reducing the total number to 52 issuers. This was occasioned by the fact that two issuers have the same board and same management, hence a similar governance structure.

## **5. FINDINGS AND RECOMMENDATIONS ON SPECIFIC CORPORATE GOVERNANCE PRINCIPLES UNDER THE CG CODE**

The guiding principle of the Capital Markets (Public Offers, Listings and Disclosures) Regulations, 2023 (POLD Regulations 2023) is, inter alia, to facilitate compliance with disclosure requirements and continuing obligations. Regulation 89(1) provides that each issuer whose securities have been offered to the public shall comply with the continuing obligations set out in the Thirteenth Schedule.

The Code of Corporate Governance for Issuers of Securities to the Public, 2015 (CG Code) forms part of these continuing obligations. Clause 8.1 of the Thirteenth Schedule requires every issuer to comply with the CG Code, thereby making adherence mandatory. However, under Clause 8.2, where an issuer has not complied with the recommended corporate governance practices, the directors must disclose the reasons for non-compliance and outline the steps being taken to achieve full compliance.

Accordingly, while instances of non-compliance may arise, issuers are expected to demonstrate a clear and firm commitment to attaining full compliance with the CG Code.

## 5.1. COMMITMENT TO GOOD CORPORATE GOVERNANCE



The principle of Commitment to Good Corporate Governance reflects the responsibility of the Board of Directors and senior management to uphold high standards of integrity, transparency, accountability and compliance in the management and oversight of the company. This commitment is demonstrated through the establishment of a clear governance framework, including a Board Charter and other governance documents that define the roles, responsibilities and authority of the Board. These frameworks should clearly distinguish the responsibilities of the Board from those of management, ensuring that the Board focuses on strategic oversight, stewardship and monitoring of the company, while management is responsible for the day-to-day operations. In addition, the Board is responsible for ensuring that directors, the Chief Executive Officer, and senior management are aware of and adhere to the applicable corporate governance requirements, and that governance policies and procedures are effectively implemented across the organization.

To effectively discharge its responsibilities, the Board should establish committees governed by clearly defined charters or terms of reference that outline their mandate, authority, composition and working processes. Ultimately, a demonstrated commitment to good corporate governance sets the tone at the top, promotes a culture of responsible leadership and enhances stakeholder confidence in the company's governance and long-term sustainability.

### 5.1.1. The average performance of Issuers on the Commitment to Good Corporate Governance

The figure below illustrates the individual performance of issuers on the commitment to good corporate governance principle.



Figure 5.1.1: Average performance of Issuers on Commitment to Good Corporate Governance

An analysis of performance on the Commitment to Good Corporate Governance principle shows that **forty-five (45)** Issuers scored Leadership Rating, **four (4)** Issuers scored Good Rating, **two (2)** Issuers had a Fair Rating while **two (2)** Issuers had a Needs Improvement Rating.

### 5.1.2. Trend analysis on the overall performance on Commitment to Good Corporate Governance

The figure below illustrates the overall performance of issuers on the commitment to good corporate governance principle.

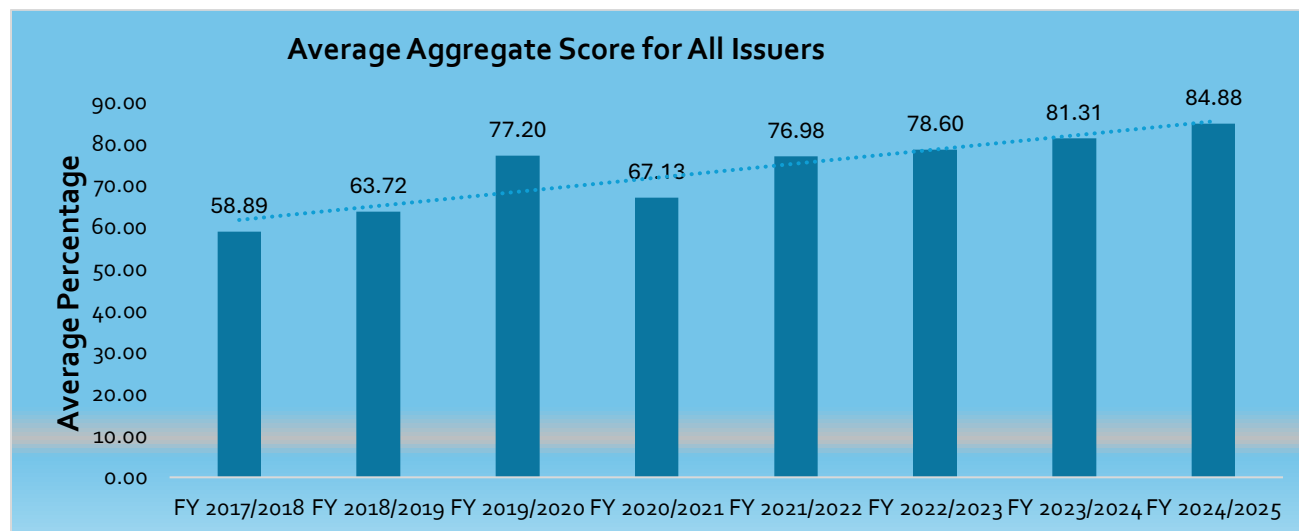


Figure 5.1.2: Average Aggregate Score for all issuers on Commitment to Good Corporate Governance

On commitment to good governance principle, FY 2023/2024 assessment reveals that there was significant improvement by Issuers from the previous FY 2023/2024 **score of 81.31% (Leadership Score Rating) to 84.88% (Leadership Rating)**.

The improvement is largely attributed to deliberate efforts by issuers to ensure that Board members and senior management are fully aware of and aligned with the requirements of the CG Code. In addition, issuers have demonstrated enhanced focus on integrating sustainability considerations into their corporate strategies, signaling a growing recognition of the importance of long-term value creation, responsible leadership and sustainable business practices in strengthening overall corporate governance.

### 5.1.3. Opportunities for Improvement

During the Year under review, the Authority identified the following areas for improvement under the Commitment to Good Corporate Governance principle for consideration by issuers:

- a) In the spirit of promoting good corporate governance, Boards are encouraged to continuously strive to adopt governance standards that go beyond the minimum requirements prescribed under Clause 1.1.1 of the CG Code.

- b) Secondly, while many Boards have made commendable progress in publicly disclosing their Board Charters and the Terms of Reference for Board Committees, it is important to ensure that these governance documents are duly signed. Formal execution of these documents demonstrates the Board's ownership, commitment and accountability for the roles, responsibilities and governance processes outlined therein, while also reinforcing the credibility and integrity of the company's governance framework.
- c) Boards should continuously assess whether their collective skills, knowledge and expertise are aligned with the company's strategic direction, emerging risks and long-term sustainability objectives.

## 5.2. BOARD OPERATIONS AND CONTROL



The Principle on Board Operations and Control recognizes the Board of directors as the central institution responsible for guiding and overseeing the governance of a company. It requires that the Board be properly constituted with qualified and competent members who collectively possess the appropriate mix of skills, experience and diversity to effectively discharge their duties. The principle emphasizes transparent procedures for the appointment of directors, a balanced Board composition and a clear distinction between the roles of the Board and management. It also promotes effective governance structures through the establishment of Board committees, the adoption of governance tools such as a Board Charter and Code of Ethics, regular Board evaluation and continuous development and mechanisms to manage conflicts of interest, ensure compliance with applicable laws and support sustainable business strategies.

A well-constituted Board composed of members capable of exercising independent and objective judgment strengthens the quality of oversight and strategic decision-making within a company. When such a Board is supported by robust policies for identifying and managing conflicts of interest, it safeguards the integrity of Board deliberations and ensures that decisions are made in the best interests of the company rather than individual interests. In addition, regular Board performance evaluations and continuous skills development enable directors to remain effective, responsive to emerging risks and opportunities and aligned with evolving governance and industry expectations.

### 5.2.1. The Average Performance of Issuers on Board Operations and Control

The figure below illustrates the individual performance of issuers on the board operations and control principle.

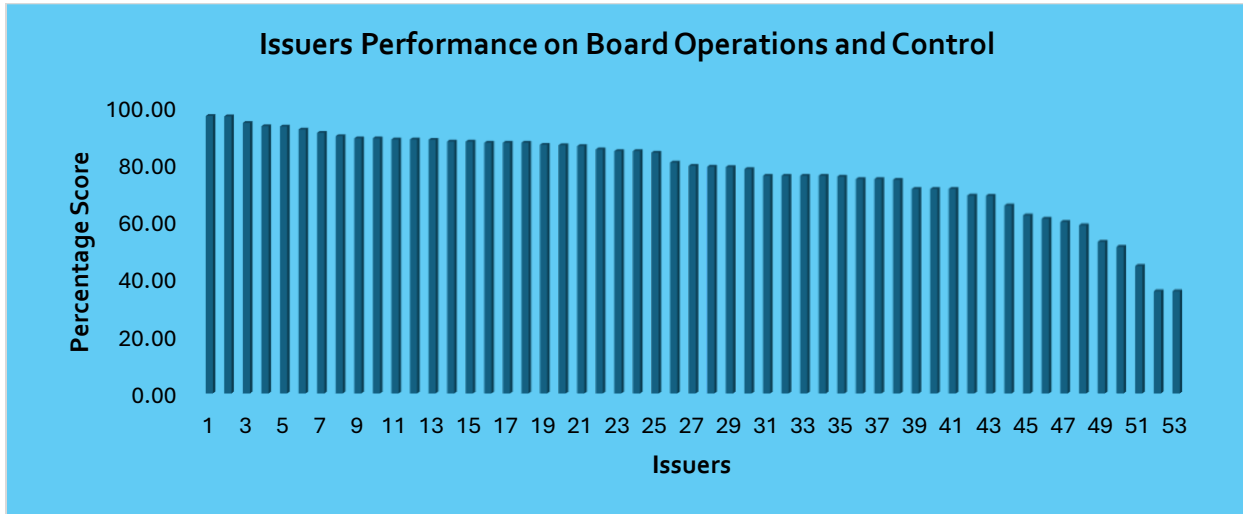


Figure 5.2.1: Issuers Performance on Board Operations and Control

An analysis of performance on the principle shows that **thirty-five (35)** Issuers scored Leadership Rating, **nine (9)** Issuers scored Good Rating, **six (6)** Issuers had a Fair Rating while **three (3)** Issuers had a Needs Improvement Rating.

### 5.2.2. Trend Analysis on the Overall performance on Board Operations and Control

The figure below illustrates the overall Average Aggregate score for all Issuers on Board Operations and Control:

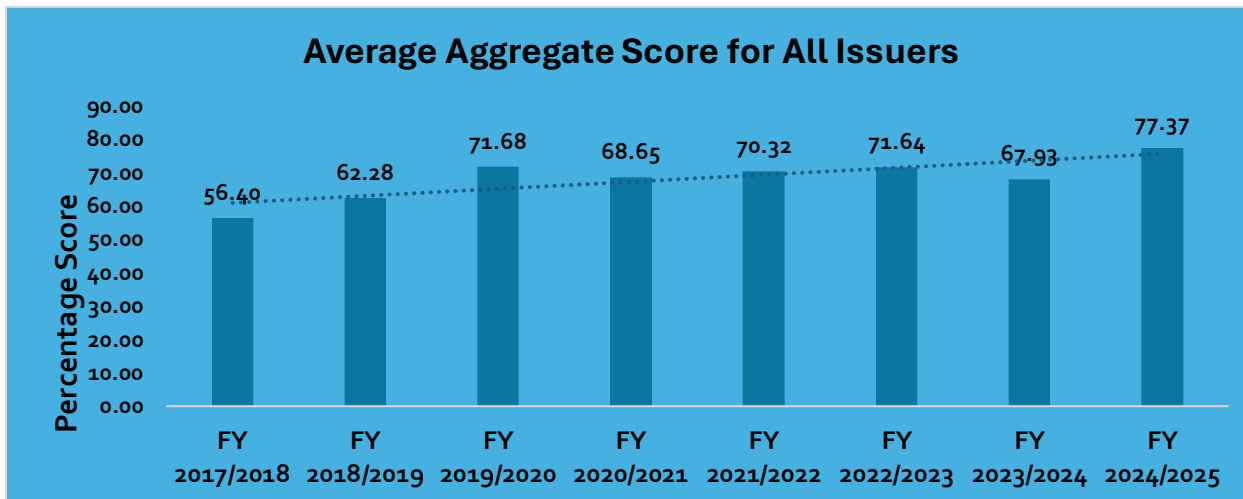


Figure 5.2.2: Average Aggregate Score for all Issuers on Board Operations and Control

The performance on this principle improved from **67.93%** (Good Rating) in FY 2023/2024 to **77.37%** (Leadership Rating) in FY 2024/2025.

The improvement was largely attributable to issuers realigning the composition of their Boards to ensure that individuals designated as Non-Executive Directors and Independent Non-Executive Directors complied with the requirements of the POLD Regulations 2023. In the previous financial year, a key factor contributing to the lower score was the classification of certain individuals as Non-Executive Directors despite being employees or Executive Directors of related entities, which was inconsistent with the definitions provided under the POLD Regulations 2023.

The realignment also had a positive ripple effect on overall board composition, enabling issuers to meet the prescribed thresholds relating to the proportion of non-executive and independent directors, as well as the composition requirements for key board committees such as the Nomination Committee and Audit Committee.

In addition, most issuers have appointed or formally designated Compliance Officers in line with Regulation 33 of the POLD Regulations 2023. Compliance officers enhance board operations by, among other responsibilities, providing regulatory and technical support that enables directors to effectively discharge their oversight responsibilities. They guide the Board on applicable legal and regulatory requirements and facilitate compliance with continuing listing & reporting obligations.

### **Opportunities for Improvement**

During the Year under review, the Authority identified the following areas for improvement under the Board Operations and Control principle for consideration by issuers:

- a) Issuers should continuously ensure that the annual assessment of directors' independence includes a clear verification of each director's compliance with the independence criteria prescribed under Regulation 2 of the POLD Regulations 2023 and Clause 2.4 of the Code of Corporate Governance. A structured and well-documented assessment process is critical in safeguarding the objectivity of the Board, as independent directors are expected to provide unbiased oversight and challenge management decisions where necessary. In addition, Boards should demonstrate how independence is safeguarded in both structure and decision-making.
- b) While a number of issuers disclosed that Board members undertook continuous professional development, some did not provide adequate documentation to demonstrate that each director attained at least twelve hours of governance-related training annually from credible sources, as required under Clause 2.7.3 of the CG Code.

Going forward, issuers should ensure that comprehensive disclosures are provided, clearly demonstrating compliance with the requirement for ongoing Board development and the steps taken to strengthen the capacity of directors.

- c) Issuers should also ensure that governance, legal and compliance audits are undertaken within the audit cycles prescribed under the CG Code. In addition, as a matter of best practice, issuers should publish a summary of the audit opinions in their annual reports. This promotes transparency and allows shareholders and other stakeholders to appreciate the measures being taken by the issuer to uphold sound governance practices and maintain compliance with relevant laws, regulations and standards.
- d) Boards should establish and regularly review formal succession plans for both directors and senior management including emergency succession arrangements, to ensure continuity, stability and long-term value creation.

### 5.3. RIGHTS OF SHAREHOLDERS



The Rights of Shareholders Principle requires the Board to recognize, respect and protect shareholders' rights while ensuring that all shareholders are treated equitably. The principle emphasizes facilitating the effective exercise of shareholder rights through timely access to relevant and accurate information about the company's performance. It also requires the Board to ensure that shareholders can actively participate in key corporate decisions through mechanisms such as voting at Annual General Meetings, proposing agenda items, appointing proxies and seeking clarification from the Board and management. Additionally, the principle calls for the protection of minority shareholders, the equitable treatment of all holders of the same class of shares, the active stewardship role of institutional investors and proactive communication with shareholders and the public through modern communication channels and engagement with the media.

By safeguarding shareholder rights and ensuring equitable treatment, the Board strengthens investor confidence and encourages active shareholder participation in the governance of the company. This enhances oversight of management, supports better decision-making and reduces the risk of abuse by controlling shareholders. Ultimately, robust protection of shareholder rights improves market confidence, enhances the company's reputation and facilitates access to capital by assuring investors that their interests are protected, thereby supporting the company's long-term sustainability and value creation.

### 5.3.1. The Average Performance of Issuers on Rights of Shareholders

The figure below illustrates the individual performance of issuers on the Rights of Shareholders principle.

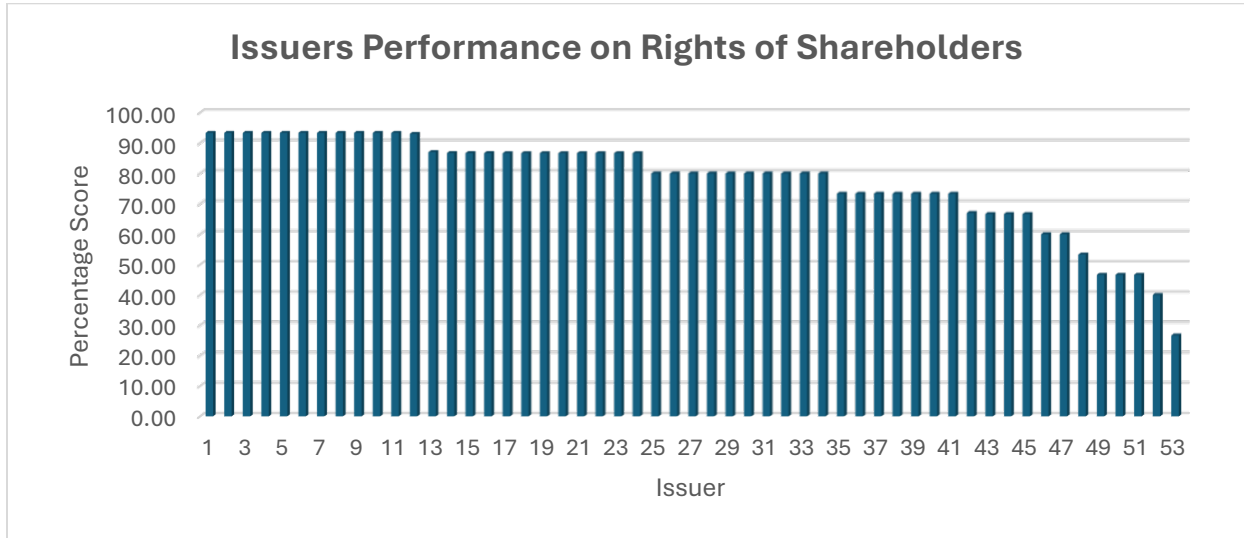


Figure 5.3.1: Issuers Performance on Rights of Shareholders

The analysis showed that **Thirty- four (34)** issuers had a Leadership Rating Score and **Eleven (11)** Issuers had a Good Rating whereas **Three (3)** Issuers had a Fair Rating while **Five (5)** Issuers had a Needs Improvement Rating.

### 5.3.2. Trend Analysis on the Overall performance on Rights of Shareholders

The figure below illustrates the overall performance of issuers on the Rights of Shareholders principle.

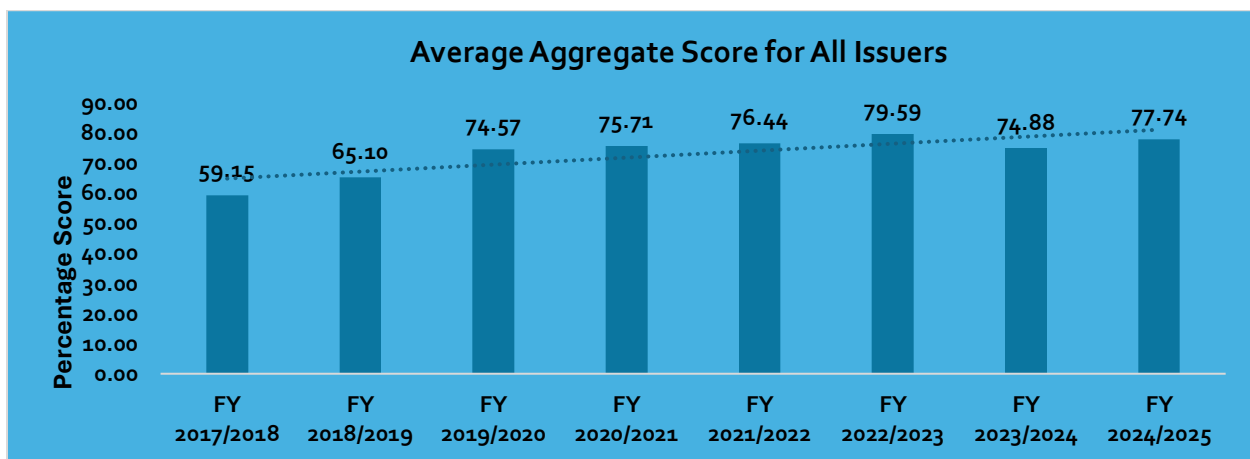


Figure 5.3.2: Average Aggregate Score for all Issuers on Rights of Shareholders

During the FY 2024/2025, the performance of rights of shareholders increased from **74.88% Score (Good Rating)** to **77.74 (Leadership Rating)**.

The improvement was largely attributed to issuers strengthening shareholder participation during Annual General Meetings (AGMs) and by ensuring that shareholders formally approved the specific policies and procedures outlined under Clause 8.21 of the Thirteenth Schedule of the POLD Regulations 2023. In addition, issuers demonstrated enhanced investor engagement through holding investor briefings, which provide more interactive platforms for management to present company performance, respond to investor queries and clarify key operational, financial and strategic matters beyond the discussions held at AGMs.

### **Opportunities for Improvement**

During the Year under review, the Authority identified the following areas for improvement under the Rights of Shareholders principle for consideration by issuers:

- a) As a matter of best practice and in line with the Stewardship Code for Institutional Investors 2017, issuers should specifically disclose how they engage with institutional investors as shareholders. This disclosure should outline the tailored strategies or initiatives adopted to address the unique needs and expectations of institutional investors. It should go beyond the general engagement mechanisms used for all shareholders and demonstrate deliberate and structured communication and interaction with institutional investors.
- b) As a matter of best practice and in line with Clause 3.2.1 of the Code of Corporate Governance, issuers should disclose the specific measures they have put in place to ensure that minority shareholders are protected from any adverse actions by controlling shareholders, whether acting directly or indirectly. This include protection from abusive related party transactions and controlling shareholder dominance. The disclosure should also highlight the mechanisms available to minority shareholders to seek effective redress where their rights or interests may be compromised.
- c) Issuers are required to provide clear, comprehensive and timely information to shareholders particularly ahead of general meetings, to enable informed decision-making.
- d) Boards should ensure the existence of formal mechanisms for addressing shareholder grievances with clear timelines and escalation procedures.
- e) Boards are strongly encouraged to adopt and clearly disclose formal dividend policies including the rationale for dividend decisions to enhance predictability and investor confidence.

## 5.4. STAKEHOLDER RELATIONS



The Stakeholder Relations Principle requires the Board to adopt a stakeholder-inclusive by proactively identifying the company's key stakeholders and developing deliberate strategies and policies to manage these relationships. This involves mapping stakeholder groups, establishing structured mechanisms for constructive engagement, maintaining transparent and effective communication and ensuring that stakeholder concerns are appropriately considered in the Board's decision-making processes. The principle also emphasizes the importance of mutual respect between the company and its stakeholders, monitoring governance practices among key partners, establishing whistle-blowing mechanisms, and putting in place clear and cost-effective processes for resolving internal and external disputes.

Effective stakeholder engagement enhances cooperation, reduces potential conflicts and creates an enabling environment for sustainable value creation. Ultimately, when stakeholders feel heard, respected and fairly treated, they are more likely to support the company's objectives, which contributes to stronger performance, resilience and long-term success.

**The Average Performance of Issuers on Stakeholder Relations Principle**

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The figure below illustrates the individual performance of issuers on Stakeholder Relations principle.

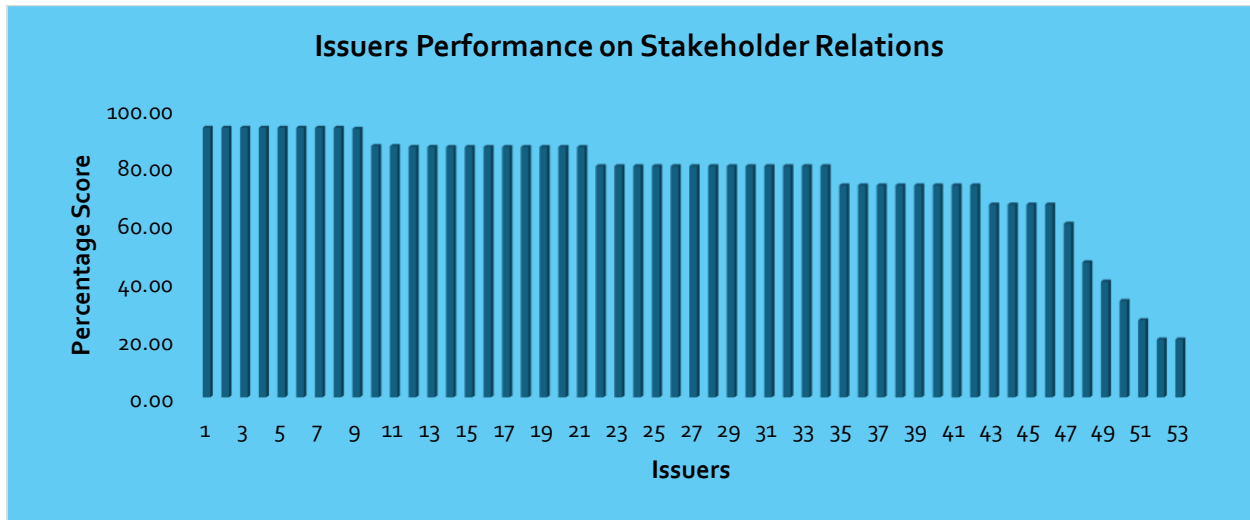


Figure 5.4.1: Issuers Performance on Stakeholder Relations

An analysis of the performance of Issuers performance on the stakeholder’s principle indicates that **Thirty-four (34)** Issuers achieved a Leadership Rating, **Twelve (12)** scored a Good Rating, **One (1)** Issuers scored a Fair Rating while **Six (6)** Issuers scored a Needs Improvement Rating.

#### 5.4.1. Trend Analysis on the Overall performance on Stakeholder Relations Principle

The figure below illustrates the overall performance of issuers on Stakeholder Relations principle.

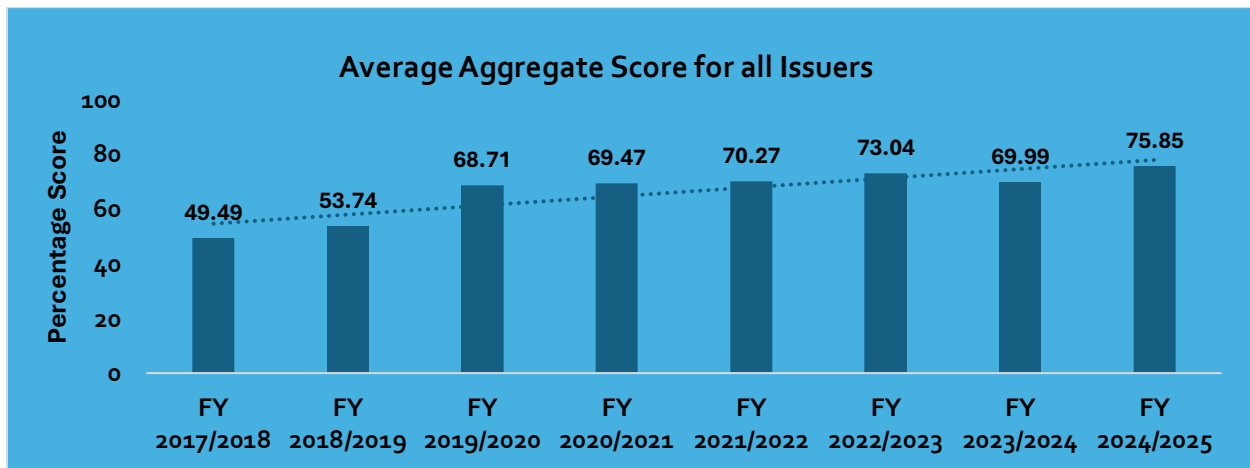


Figure 5.4.2: Average Aggregate Score for all Issuers on Stakeholder Relations

The performance of Issuers increased in the FY 2024/2025 with the score at **75.85% (Leadership Rating)** from the previous **69.99% (Good Rating)** in the FY 2023/2024.

This improvement is largely attributable to issuers adopting a structured approach to stakeholder management by identifying their key stakeholders and mapping out areas of interaction, including clearly defining the purpose of engagement, the mechanisms used to engage and the key focus areas of such engagements. In addition, issuers ensured that policies and procedures relating to effective stakeholder communication, as well as mechanisms for resolving internal and external disputes were formally approved by shareholders in line with the requirements of the POLD Regulations 2023.

#### **5.4.2. Opportunities for Improvement**

During the Year under review, the Authority identified the following areas for improvement under the Stakeholder Relations principle for consideration by issuers:

- a) Issuers are encouraged to establish and disclose structured stakeholder engagement frameworks, clearly identifying key stakeholder groups, engagement channels and frequency of engagement.
- b) In line with the Stewardship Code for Institutional Investors 2017, issuers should establish tailored mechanisms and processes to facilitate more structured and constructive engagement specifically with institutional investors.
- c) Issuers are encouraged to improve disclosure on how stakeholder feedback is obtained, analyzed and acted upon including outcomes and impact.
- d) Boards are encouraged to establish accessible and effective grievance and feedback mechanisms for stakeholders with clear processes for resolution and escalation.
- e) Issuers should strengthen oversight over suppliers and service providers ensuring alignment with the company's governance, ethical and sustainability standards.

## 5.5. ETHICS AND SOCIAL RESPONSIBILITY



The Ethics and Social Responsibility Principle requires the Board to provide effective oversight over the company's ethical conduct and its social and environmental responsibilities. This entails establishing and implementing clear ethical standards and policies that guide the behavior of directors, management and employees. The Board is expected to ensure that ethical risks are effectively identified, monitored and managed through appropriate structures, reporting mechanisms and accountability frameworks. Effective oversight of ethical policies helps promote responsible decision-making across the organization, thereby safeguarding the company's reputation, strengthening stakeholder trust and reducing legal and operational risks.

In addition, the principle emphasizes the Board's responsibility to ensure that the company integrates sustainability considerations into its operations and long-term strategy. With increasing investor and public interest in how companies contribute to society and the environment, issuers are expected to demonstrate responsible corporate citizenship by addressing ESG considerations. This positions companies to attract responsible investment, respond to evolving regulatory and market expectations and create long-term value beyond financial performance.

### 5.5.1. The Average Performance of Issuers on Ethics and Social Responsibility Principle

The figure below illustrates the individual performance of issuers on Ethics and Social Responsibility principle.

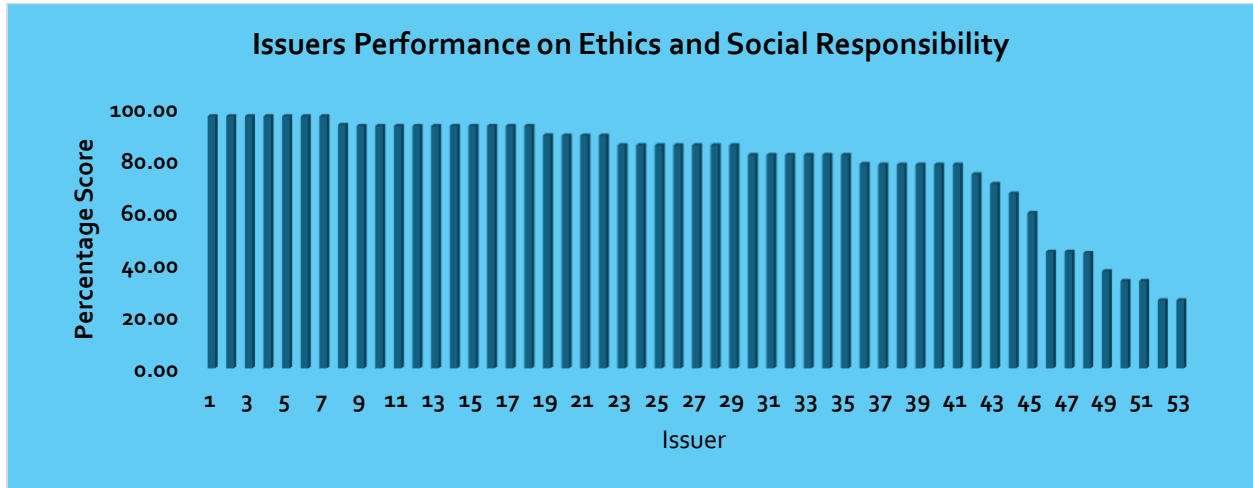


Figure 5.5.1: Issuers Performance on Ethics and Social Responsibility

An illustration on this principle indicates that **forty-one (41)** Issuers had a Leadership rating, **three (3)** had a good rating, **one (1)** had a Fair rating and **eight (8)** were in the Needs Improvement category.

### 5.5.2. Trend Analysis on the Overall performance on Ethics and Social Responsibility Principle

The figure below illustrates the overall performance on Ethics and Social Responsibility across different assessment periods.

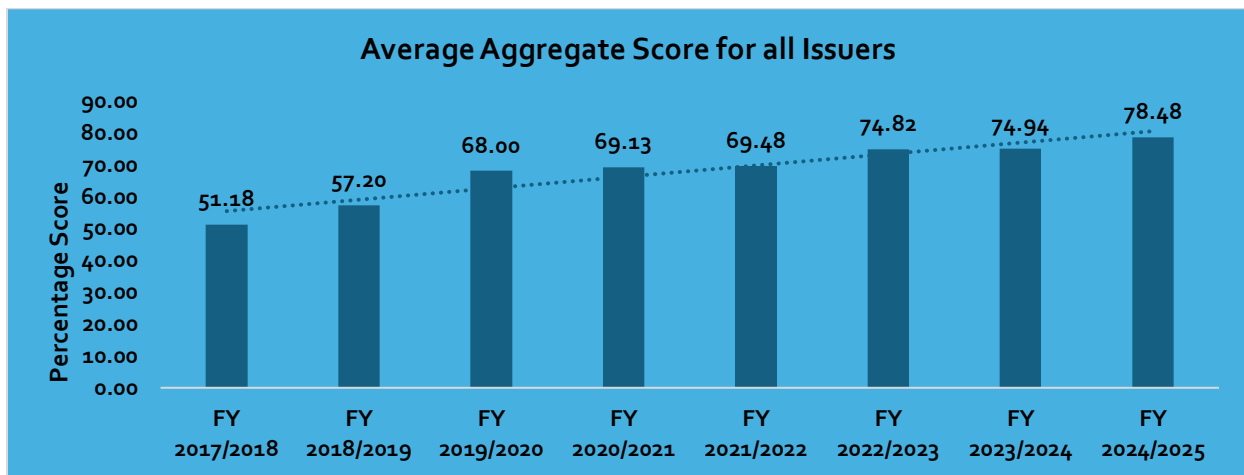


Figure 5.5.2: Average Aggregate Score for all Issuers on Ethics and Social Responsibility

The performance of Issuers increased in the FY 2024/2025 with the score at **78.48% (Leadership Rating)** from the previous **74.94% (Good Rating)** in the FY 2023/2024.

This improvement is largely attributable to issuers having in place Codes of Ethics and Conduct that are regularly reviewed and updated to ensure continued relevance and effectiveness. In addition, issuers demonstrated how these Codes are actively implemented and embedded within their strategies, policies and day-to-day operations. Furthermore, issuers showed a strong commitment to responsible corporate citizenship by adopting policies and practices aimed at protecting, enhancing and investing in the well-being of the economy, society and the environment. There were also improved disclosures on how sustainability-related risks and opportunities are identified and integrated into the companies' broader risk management frameworks.

### **5.5.3. Opportunities for Improvement**

During the Year under review, the Authority identified the following areas for improvement under the Ethics and Social Responsibility principle for consideration by issuers:

- a) While many issuers have established Codes of Ethics and Conduct, Boards should ensure effective implementation, periodic review and enforcement including regular training and awareness programs.
- b) In line with Clause 5.2.1 of the Code of Corporate Governance, issuers should disclose how ethical risks and opportunities are integrated into their risk management processes. Issuers are also encouraged to develop a comprehensive ethics risk profile that clearly identifies both negative and positive ethical risks, harmonizes all identified ethical risks and opportunities and presents them in a consolidated ethics risk profile for disclosure.
- c) As a matter of best practice, issuers should enhance transparency by providing more comprehensive reporting on ethics performance. Such disclosures may include outcomes and trends arising from reported ethics cases, lessons learned and how these insights have informed improvements in ethical practices, policies and internal controls.
- d) Boards should enhance oversight of anti-corruption and anti-bribery frameworks including risk assessments, internal controls and regular monitoring of compliance.
- e) Issuers are encouraged to continuously pursue innovative sustainability initiatives with the objective of positioning themselves as leaders in responsible corporate practices and strengthening their contribution to sustainable development.

## 5.6. ACCOUNTABILITY, RISK MANAGEMENT AND INTERNAL CONTROL



The Accountability, Risk Management and Internal Control Principle emphasizes the Board's responsibility to establish and maintain robust systems that ensure responsible management, effective oversight and the protection of the company's assets and stakeholders' interests. This principle requires the Board to implement a comprehensive framework for financial reporting, risk management and internal controls. It entails ensuring the accuracy, reliability and integrity of financial statements through independent verification, including the establishment of a competent Audit Committee and the engagement of independent external auditors.

Effective accountability and oversight mechanisms allow the Board to make informed decisions, manage strategic, operational, financial, compliance and sustainability risks, and maintain the company's stability. Strong internal controls and risk management practices not only reduce the likelihood of fraud, mismanagement or operational failures but also provide a structured approach to balancing risk and reward, which is fundamental to sustainable business growth. By ensuring that risk, control, and reporting systems are integrated into daily operations and subject to continuous review, companies are better equipped to navigate uncertainties and protect shareholders' investments.

## The Average Performance of Issuers on Accountability, Risk Management and Internal Control Principle

The figure below illustrates the individual performance of issuers on Accountability, Risk Management and Internal Control principle.

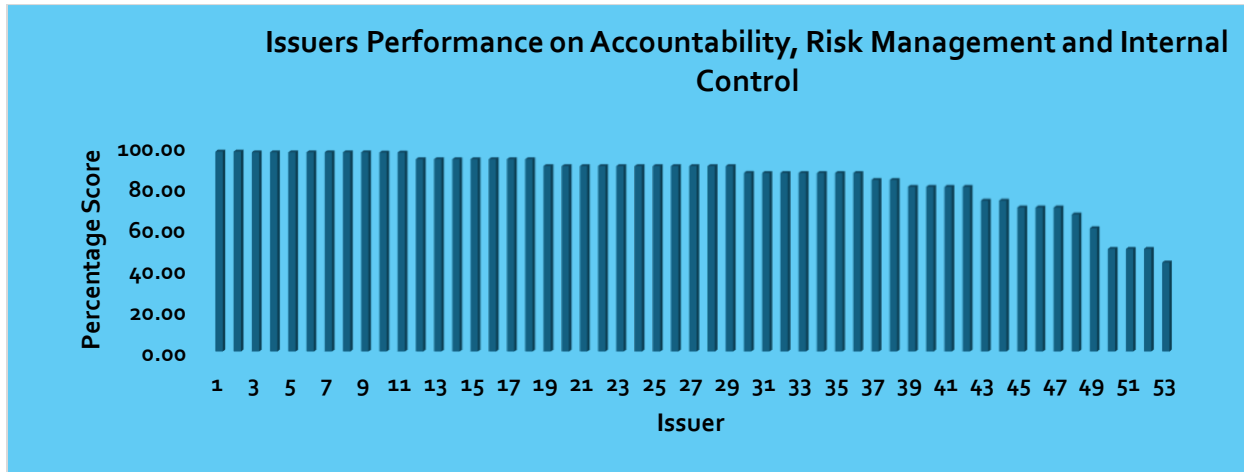


Figure 5.6.1: Average Performance for Issuers on Accountability, Risk Management and Internal Control

An illustration on this principle indicates that **forty-two (42)** Issuers had a Leadership rating, **six (6)** had a good rating, **four (4)** had a Fair rating and **one (1)** was in the needs improvement category.

### 5.6.1. Trend Analysis on the Overall performance on Accountability, Risk Management and Internal Control Principle

The figure below illustrates the overall performance on Ethics and Social Responsibility across different assessment periods.

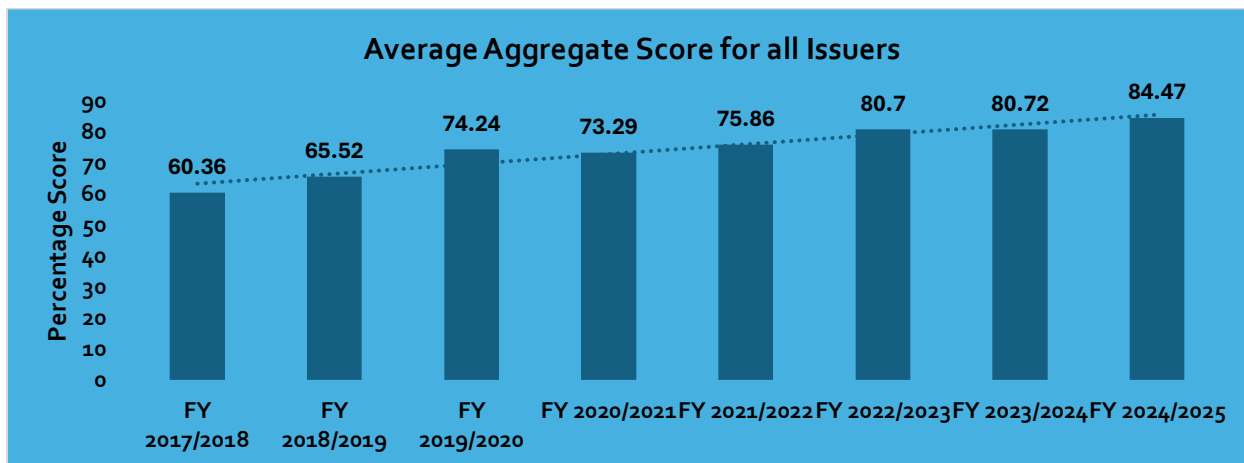


Figure 5.6.2: Average Aggregate Score for all Issuers on Accountability, Risk Management and Internal Control

The performance of Issuers increased in the FY 2024/2025 with the score at **84.47% (Leadership Rating)** from the previous **80.72% (Leadership Rating)** in the FY 2023/2024.

This improvement was driven by issuers establishing robust structures for the review and authorization of financial statements, ensuring their accurate and truthful presentation through active oversight by the Audit Committee. Issuers also demonstrated how the Audit Committee safeguards the independence and competence of external auditors, enhancing the reliability of financial reporting. In addition, issuers continued to make notable progress in adopting integrated reporting, providing a comprehensive view of their strategy, governance, performance and sustainability considerations.

### 5.6.2. Opportunities for Improvement

During the Year under review, the Authority identified the following areas for improvement under the Accountability, Risk Management and Internal Control principle for consideration by issuers:

- a) Disclosing the length of service of their external auditors to ensure that shareholders are fully informed during the appointment of independent auditors at Annual General Meetings. This aligns with Clause 6.1.4 of the CG Code, which mandates the rotation of

independent external auditors every six to nine years to enhance objectivity, independence and professional scrutiny of the audit process.

- b) Continuously improving the quality and scope of their integrated reporting by adopting the IFRS Sustainability Disclosure Standards. This will prepare companies for the upcoming mandatory adoption of these standards from January 2027.
- c) In line with Clause 6.5.2 of the CG Code, disclosing whether the Audit Committee met with external auditors at least once during the year without management being present. Such disclosure is important because it demonstrates the independence of the Audit Committee in evaluating the auditors' work, ensures that concerns can be raised freely without management influence, and reinforces confidence in the integrity and objectivity of the financial reporting and audit process.
- d) Ensure that the Compliance Officer attend all audit committee meetings in an advisory capacity in line with Regulation 33(1)(g) of POLD Regulations 2023.
- e) Issuers are encouraged to strengthen oversight of emerging risks including cybersecurity, data privacy, climate-related risks and geopolitical developments. For cybersecurity and information security risks, Boards are encouraged to enhance oversight of by ensuring the adoption of robust governance frameworks, continuous monitoring of cyber threats, regular penetration testing, incident response preparedness and clear accountability at management level, supported by periodic reporting to the Board.

## 5.7. TRANSPARENCY AND DISCLOSURE



The Transparency and Disclosure Principle requires the Board to ensure that all material information about the company is disclosed in a timely, accurate and balanced manner. This principle encompasses a broad range of disclosures such as financial statements, corporate governance practices, risk management policies, sustainability initiatives, ethical and social responsibility practices, related party transactions, remuneration structures and stakeholder information. By establishing clear corporate disclosure policies and procedures, the Board ensures that shareholders and other stakeholders have access to reliable and relevant information, enabling them to make informed decisions and exercise their ownership and stewardship rights effectively.

Transparent disclosure allows investors to assess the company's performance, governance practices and risk exposure, reducing information asymmetry and the potential for unethical practices. It also promotes accountability by enabling stakeholders to hold the Board and management responsible for their decisions and actions. Furthermore, comprehensive and clear disclosure improves relationships with stakeholders by building trust and promoting open communication.

### 5.7.1. The Average Performance of Issuers on Transparency and Disclosure Principle

The figure below illustrates the individual performance of issuers on Transparency and Disclosure principle.

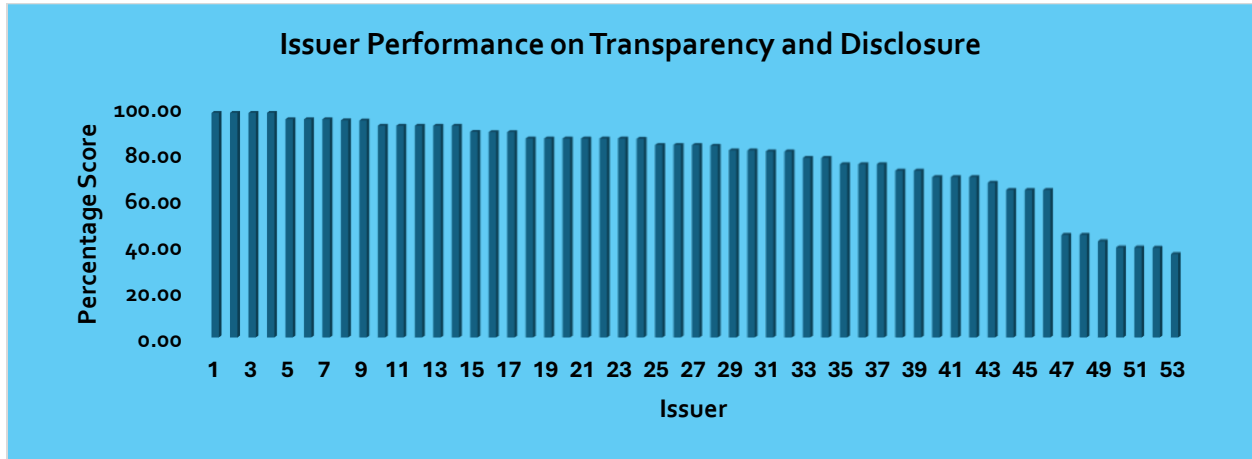


Figure 5.7.1: Issuers Performance on Transparency and Disclosure

The illustration above indicates that **37 issuers** attained a Leadership rating, **6 issuers** received a Good rating, **3 issuers** were assigned a Fair rating and another **7 issuers** were categorized under the Needs Improvement rating.

### 5.7.2. Trend Analysis on the Overall performance on Transparency and Disclosure Principle

The figure below illustrates the overall performance of issuers on the Transparency and Disclosure principle.

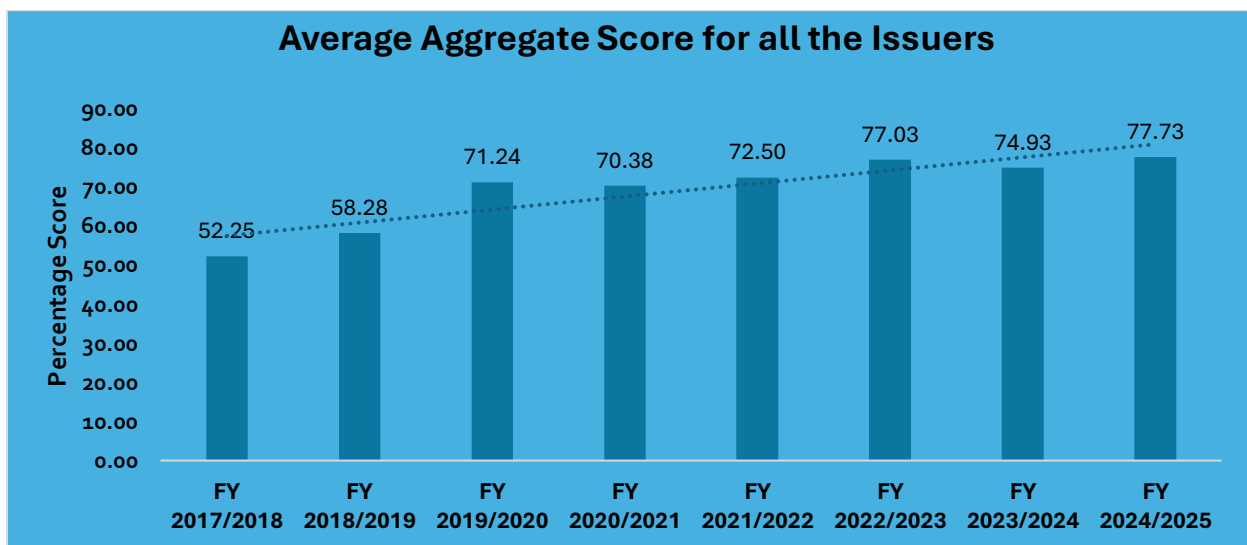


Figure 5.7.2: Average Aggregate Score for all Issuers on Transparency and Disclosure

The performance of Issuers increased in the FY 2024/2025 with the score at **77.37% (Leadership Rating)** from the previous **74.93% (Good Rating)** in the FY 2023/2024.

This improvement was largely driven by enhanced disclosures of key policies and procedures in annual reports and on companies' websites, thereby enhancing transparency and accessibility of information to stakeholders. In addition, some issuers went beyond the requirements of the CG Code by providing disclosures on their approaches to data privacy and cybersecurity. These disclosures extend beyond the Code's requirement to disclose policies on information technology, demonstrating a more proactive approach to transparency and governance in areas of increasing relevance to investors and stakeholders.

### **5.7.3. Opportunities for Improvement**

During the Year under review, the Authority identified the following areas for improvement under the Transparency and Disclosure principle for consideration by issuers:

- a) Issuers should ensure that their corporate disclosure policies and procedures are fully aligned with the disclosure requirements set out in the POLD Regulations 2023.
- b) In line with Clause 7.1.1(g)(iii) of the Code of Corporate Governance, Boards should disclose whether there were any material departures from compliance with applicable laws, regulations and standards, including the causes of such non-compliance and the corrective measures implemented to address them.
- c) Issuers should disclose their procurement policies as required under Clause 7.1.1(s) of the CG Code to enhance transparency and accountability in procurement processes.
- d) Issuers should also disclose the shareholding of senior management in line with Clause 7.1.1(u) of the CG Code.
- e) In accordance with Clause 7.1.1(r) of the CG Code, the statement on compliance with corporate governance principles in the annual report should clearly indicate any provisions of the Code that have not been applied, the reasons for such non-application, the indicative timelines for compliance and the strategies the company intends to implement to achieve full application of the Code.

Issuers are encouraged to leverage digital platforms and tools to enhance the accessibility, accuracy, timeliness and efficiency of disclosures including the prompt communication of material events to the market.

## 6. WEIGHTED PERFORMANCE



### 6.1. Overall Weighted Score by All Issuers Across Periods

The annual weighted overall score for all issuers reflected an improvement in performance, rising by 5.32% from 73.56% (Good rating) in the 2023/2024 financial year to 78.88% (Leadership rating) in the 2024/2025 financial year. The table below illustrates the annual weighted overall scores of all issuers from the 2017/2018 financial year through to 2024/2025, highlighting performance trends over the eight-year period.

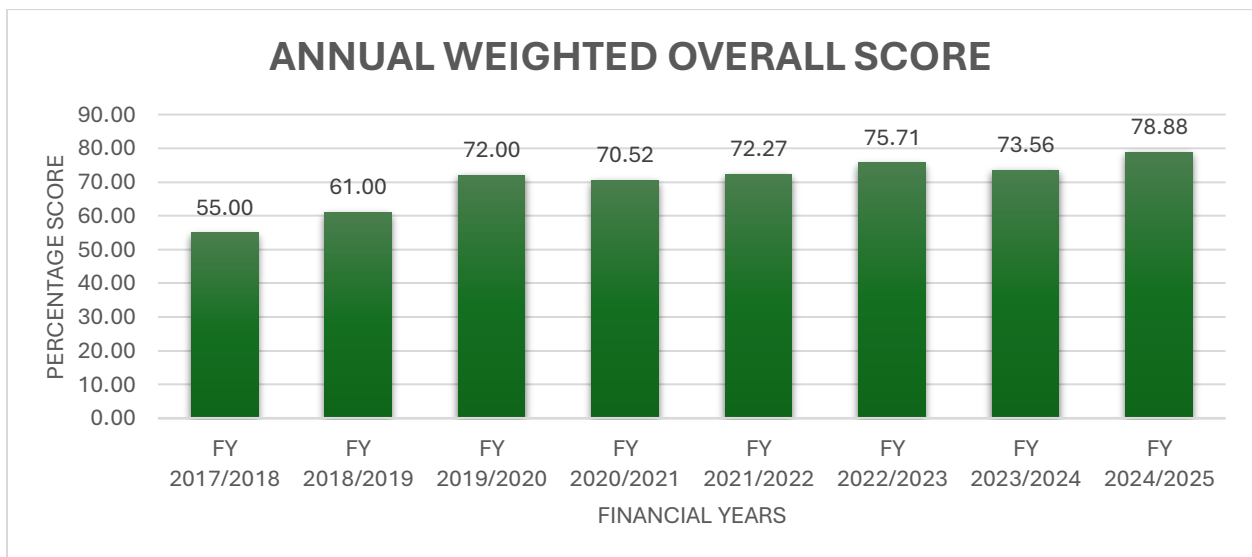


Figure 6.1: Annual Weighted Overall Score by all Issuers

## 6.2. Overall Performance Across Periods

In FY 2024/2025, the Authority assessed a total number of **fifty-three (53)** Issuers. Out of these, thirty-eight (**38**) Issuers had a Leadership Rating, nine (**9**) had a Good Rating, four (**4**) had a Fair Rating and two (**2**) Needs Improvement Rating.

Notably, the number of issuers that attained a Leadership Rating Score increased from **twenty-seven (27)** in the FY 2023/2024 assessment **to thirty-eight (38)** in the current assessment. Additionally, the number of issuers rated as “Needs Improvement” has significantly declined, reflecting meaningful progress in the adoption and implementation of sound corporate governance principles within their structures and operations.

The table below shows the performance of Issuers over the past years:

Rating	FY 2017/2018	FY 2018/2019	FY 2019/2020	FY 2020/2021	FY 2021/2022	FY 2022/2023	FY 2023/2024	FY 2024/2025
Leadership	3	7	25	25	30	31	27	38
Good	15	17	11	8	12	8	13	9
Fair	31	21	8	10	6	6	8	4
Needs Improvement	17	8	4	5	6	4	4	2

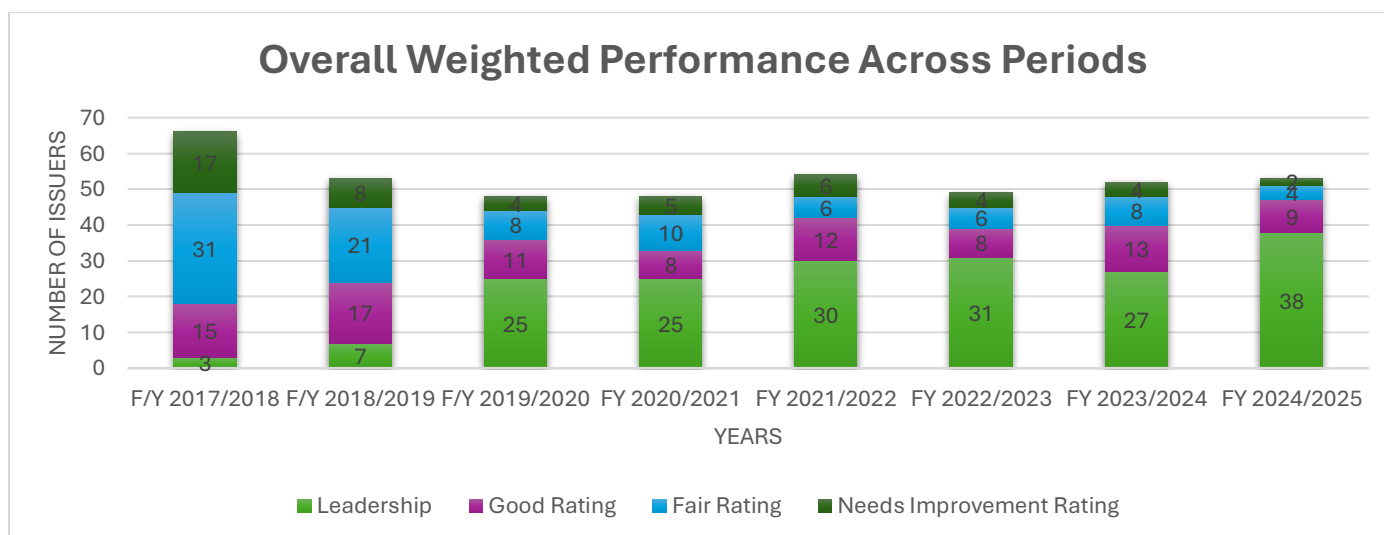


Figure 6.2: Overall Performance Across Periods

### 6.3. Average Performance on All Principles

The figure below illustrates the performance on all the principles across the 8-year period.

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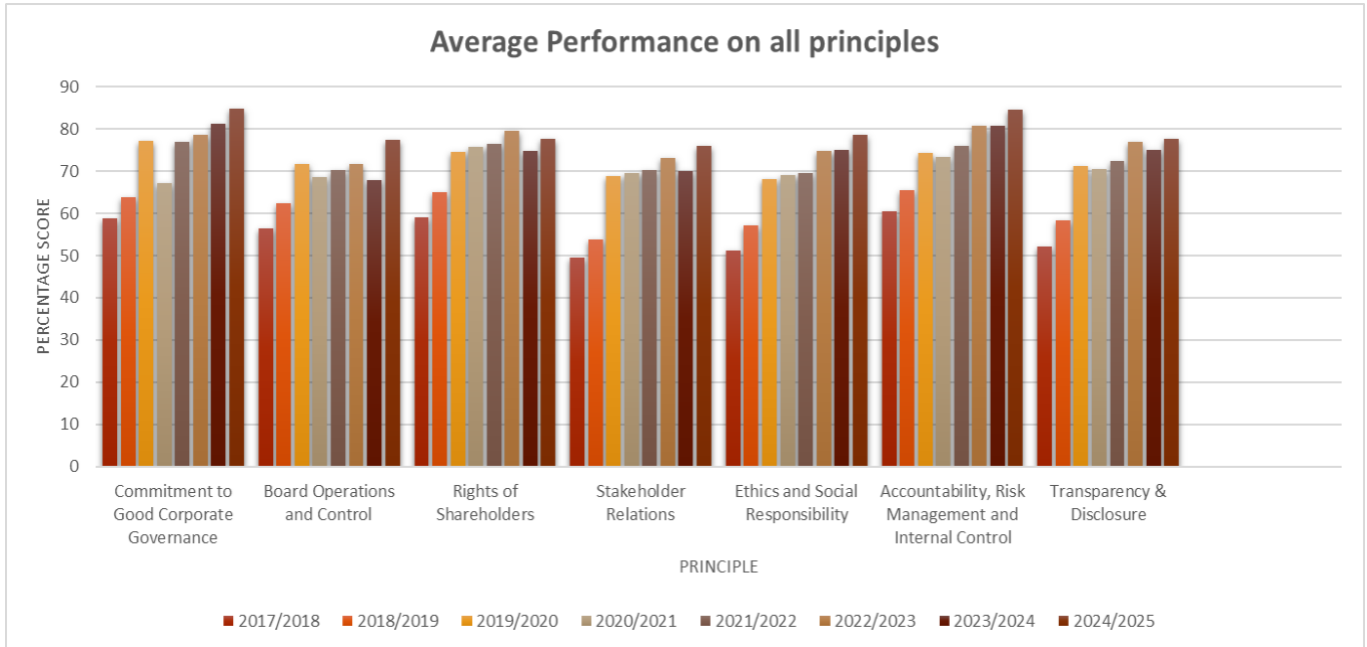


Figure 6.3: Average Performance on all Principles

From the above table, the average performance across all Principles improved compared to the FY 2023/2024, with each Principle attaining a Leadership Rating.

Accountability, Risk Management and Internal Control achieved the highest score at **84.47% (Leadership Rating)**. Conversely, Stakeholder Relations recorded the lowest score at **75.85% (Leadership Rating)**; however, this still reflected an improvement from **69.99% (Good Rating)** in FY 2023/2024.

Board Operations and Control demonstrated the most significant improvement, increasing by **9.44%** from its FY 2023/2024 score of **67.93%**.

#### 6.4. Overall Performance Per Sector

The figure below illustrates the overall performance across the sectors in the FY 2024/2025.

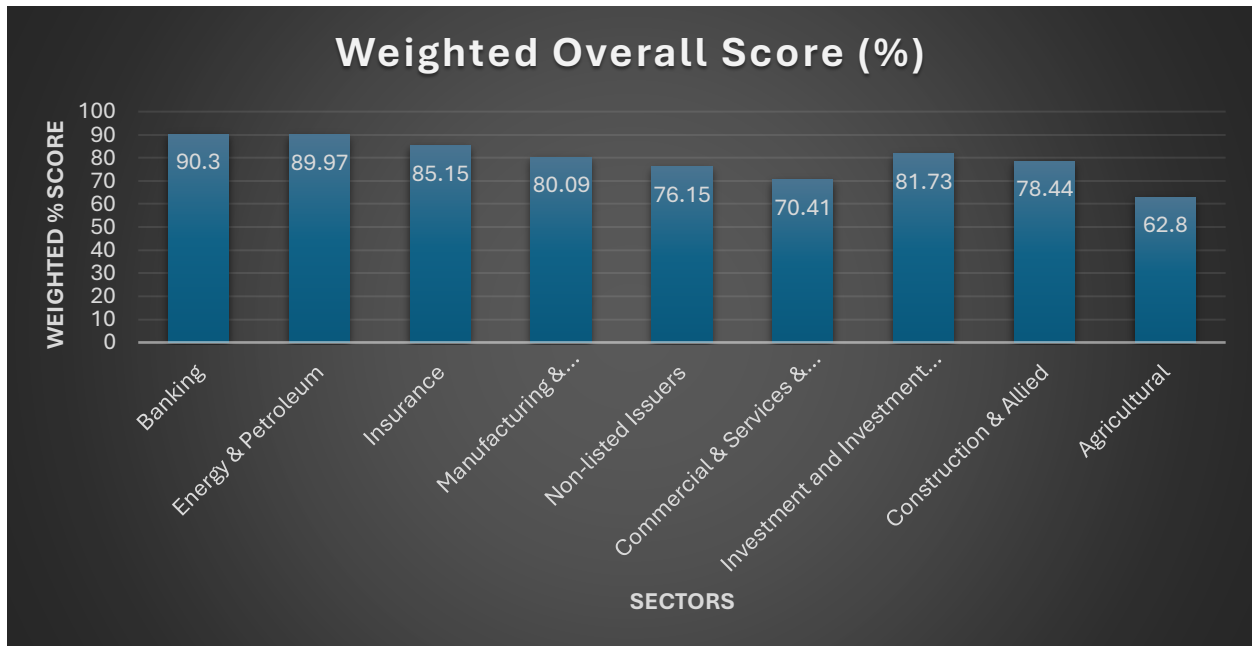


Figure 6.4: Weighted Overall Score

The above analysis indicates that the Banking Sector, Energy & Petroleum Sector, Insurance Sector, Manufacturing & Allied/Automobiles & Accessories Sector, Non-Listed Issuers Sector, Investment and Investment Services Sector and Construction and Allied Sector all attained Leadership ratings. The Commercial & Services & Telecommunication Sector achieved a Good rating, while the Agricultural Sector recorded a Fair rating.

All sectors, with the exception of the Commercial & Services & Telecommunication Sector, recorded improvements compared to FY 2023/2024. The most notable improvement was recorded in the Energy & Petroleum Sector, which increased by **10.59%** from its prior year score of **79.38%**.

In contrast, the Commercial & Services & Telecommunication Sector was the only sector to record a decline, decreasing by 1.03% from its previous year's score of **71.44%**. This decline is attributed to reduced performance across the following principles; Commitment to Good Corporate Governance, Rights of Shareholders, Stakeholder Relations, and Transparency and Disclosure.

## 6.5. Performance By Various Sectors Across All Principles in the FY 2023/2024

The performance of all the sectors on the various principles has been illustrated in the heatmap below.

	Commitment to Good Corporate Governance	Board Operations and Control	Rights of Shareholders	Stakeholder Relations	Ethics and Social Responsibility	Accountability, Risk Management and Internal Controls	Transparency and Disclosure
Agricultural	65.87	60.92	62.22	56.67	56.79	72.22	61.33
Banking	92.78	86.86	90.00	87.33	92.64	94.40	91.91
Commercial & Services & Telecommunications	79.22	69.55	69.69	61.82	75.55	78.72	67.63
Construction & Allied	90.16	80.07	77.78	73.33	67.89	80.00	77.11
Energy & Petroleum	95.23	87.35	86.66	88.89	90.12	94.44	91.07
Insurance	89.61	83.84	84.50	84.5	83.37	89.99	84.31
Investment & Investment Services	85.71	80.25	80.00	75.55	83.95	90.00	78.59
Manufacturing & Allied/Automobiles & Accessories	87.70	76.66	77.14	85.24	84.65	82.38	80.16
Non-Listed Issuers	85.71	79.75	75.00	80	73.15	79.16	68.05

**Table 2: Key**

<b>Leadership Rating</b> (75% and above)
<b>Good Rating</b> (between 65% and 74%)
<b>Fair Rating</b> (between 51% and 64%)
<b>Needs Improvement</b> (50% and below)

This year saw a significant improvement, with several sectors attaining a Leadership Rating across all Principles, compared to FY 2023/2024 when no sector achieved a Leadership Rating across all principles. The sectors that recorded this achievement are Banking; Energy & Petroleum; Insurance; Investment & Investment Services; and Manufacturing & Allied/Automobiles & Accessories.

The Commercial & Services & Telecommunications Sector recorded an improvement in the Board Operations and Control Principle from a Fair Rating in FY 2023/2024 to a Good Rating in FY 2024/2025.

The Construction & Allied Sector recorded a significant improvement across the following principles compared to FY 2023/2024:

- Commitment to Good Corporate Governance: improved from a Good Rating to a Leadership Rating.
- Board Operations and Control: improved from a Fair Rating to a Leadership Rating.
- Rights of Shareholders: improved from a Fair Rating to a Leadership Rating.
- Stakeholder Relations: improved from a Fair Rating to a Good Rating.
- Accountability, Risk Management and Internal Controls: improved from a Good Rating to a Leadership Rating.

## 7. EMERGING ISSUES AND NEW DEVELOPMENTS IN GOVERNANCE

Emerging Developments	Issues/New	Context
<p><b>Government Enterprises Act 2025</b></p>	<p><b>Owned</b></p>	<p>The Government Owned Enterprises Act 2025, signed into law in 2025 by H. E. President William Ruto, was introduced to reform state corporations by transforming them into commercially viable, well-governed and accountable entities, addressing longstanding concerns on inefficiency, weak governance and fiscal burden.</p> <p>The Act establishes a robust governance framework including professional and independent boards, clearer separation of ownership (National Treasury) and policy roles, performance contracting, enhanced risk management and internal controls, and improved transparency and disclosures. Importantly, for listed entities, it reinforces the need for equitable representation and protection of minority shareholders' interests at Board level, aligning governance structures with broader market expectations.</p> <p>The Act applies to all Government-owned entities including listed companies such as Kenya Power and Lighting Company, Kenya Electricity Generating Company and Kenya Reinsurance Corporation. For these issuers, the Act creates a strong nexus with the CG Code, particularly on principles relating to board composition and independence, protection of shareholder rights (including minority shareholders), transparency and accountability, thereby reinforcing alignment between state ownership requirements and capital markets governance standards.</p>
<p><b>Protection of Minority Investors</b></p>		<p>Protection of minority investors is increasingly recognized as an important element of sound corporate governance and well-functioning capital markets. The CG Code requires that Board composition provide a mechanism for representation of minority shareholders without undermining the collective responsibility of directors. It further requires that minority shareholders be protected from adverse actions by controlling shareholders with access to effective avenues for redress.</p>

	<p>The growing focus on minority shareholder protection is further illustrated by the registration of the Minority Shareholders Association of Kenya, which signals increasing organization and advocacy among minority investors. This development highlights rising expectations for issuers to meaningfully consider the interests and perspectives of minority shareholders and reflects a shift towards enhanced shareholder engagement and accountability in corporate governance.</p> <p>In light of this development, issuers are encouraged to go beyond minimum compliance requirements and proactively strengthen mechanisms for engaging and protecting minority shareholders. This includes establishing clear channels for engagement, enhancing transparency in key corporate decisions and disclosing the measures taken to safeguard minority shareholder interests. Proactive and innovative engagement practices can strengthen investor trust, support broader participation in capital markets and enhance the reputation of issuers as responsible and equitable stewards of shareholder interests.</p>
<p><b>Enhancing Corporate Governance through Investor Stewardship</b></p>	<p>Institutional investors play a significant role in strengthening corporate governance practices within the capital markets ecosystem due to the substantial capital they manage on behalf of beneficiaries such as pension contributors, policyholders and other investors. This position gives them considerable influence over the governance and strategic direction of investee companies, while also imposing a fiduciary duty to safeguard the interests of their clients. The CG Code encourages institutional investors to exercise stewardship by actively monitoring investee companies, engaging with boards and management on performance and governance matters and exercising their voting rights at shareholder meetings.</p> <p>This role is further reinforced by the Stewardship Code for Institutional Investors, 2017, which promotes responsible stewardship and active ownership by the institutional investment community to support sustainable value creation in listed companies. While issuers are not signatories to the Stewardship Code, they play an important role in facilitating constructive engagement by cooperating in good faith with</p>

	<p>institutional investors and respecting shareholder rights. Issuers should therefore establish mechanisms for regular engagement with institutional investors and disclose the nature of such engagements in their corporate governance disclosures to transparency, accountability and overall corporate governance standards.</p>
<b>Cybersecurity Risk</b>	<p>Cybersecurity has emerged as a significant risk for issuers as organizations increasingly rely on digital systems for financial reporting, investor communication, operational processes and data management. The growing digitalization of business operations has expanded the attack surface for cyber threats, exposing issuers to risks such as data breaches, system disruptions and unauthorized access to confidential information.</p> <p>Cyber incidents can have far-reaching consequences, including financial losses, theft or compromise of sensitive data, disruption of critical business operations and reputational damage. In Kenya, the increasing adoption of digital platforms and financial technologies further heightens these vulnerabilities, making cybersecurity risk management a critical priority for issuers.</p> <p>The CG Code requires Boards to actively identify, assess and monitor key business risks and to safeguard shareholders' investments and the company's assets through the establishment of effective risk management and internal control systems. Cybersecurity therefore falls squarely within the Board's oversight responsibilities. Boards should ensure that issuers establish robust cybersecurity frameworks supported by clear policies, risk management procedures and incident response mechanisms. This includes ensuring that management implements strong IT governance structures, conducts regular vulnerability assessments, maintains data protection controls and deploys continuous monitoring systems to detect and respond to cyber threats. Cybersecurity should also be embedded within the issuer's enterprise risk management framework, with adequate resources allocated to strengthen cyber resilience.</p>
<b>Artificial Intelligence (AI)</b>	<p>Artificial Intelligence (AI) is increasingly becoming a significant development shaping how organizations operate, make decisions and manage information. Many organizations are beginning to integrate</p>

AI-driven tools into their operations to enhance efficiency, automate routine processes and support decision-making.

At the same time, the increasing use of AI raises important considerations relating to accountability, oversight and the reliability of automated processes. The deployment of AI within key operational or decision-making processes may affect the integrity of internal control systems if not properly governed. Boards must therefore ensure that the use of AI technologies does not weaken existing control structures or reduce appropriate human oversight over critical decisions. The CG Code requires Boards to be committed to establishing and reviewing effective internal control systems within the organization. In this regard, where AI tools are integrated into operational processes, issuers should ensure that such systems operate within clearly defined control frameworks and that outputs generated by AI are subject to appropriate review and validation.

To ensure responsible and effective use of AI, issuers should consider establishing policies governing the deployment and use of AI tools. In addition, management should ensure that AI-driven systems are periodically tested, monitored and reviewed as part of the organization's internal control and internal audit processes to ensure that they remain reliable and aligned with the company's objectives. Boards should also ensure that the organization maintains adequate technical capacity and awareness to effectively oversee the use of emerging technologies.

## **8. KEY OBSERVATIONS AND CHALLENGES**

### **a) Shareholder Approval of Key Policies**

Clause 8.21 of the POLD Regulations 2023 requires shareholders to approve several key policies, including policies on remuneration, effective communication with stakeholders, corporate disclosure policies and procedures, dispute resolution for internal and external disputes and policies aimed at ensuring the attraction and retention of Board members. However, it has been observed that some issuers have delegated the responsibility approving these policies to the Board.

Clause 8.21 indicates that the approval of these policies is expressly reserved for shareholders and should not be delegated to the Board. These policies address matters that directly affect shareholders and are central to the protection of their interests. As such, shareholder approval of these policies plays an important role in ensuring meaningful shareholder participation in matters that shape the governance and strategic direction of the company.

Accordingly, delegating the approval of these policies to the Board is inconsistent with the requirements of Clause 8.21 of the POLD Regulations, 2023. Issuers should therefore ensure that all policies requiring shareholder approval under the Regulations are duly submitted to shareholders for consideration and approval during general meetings.

### **b) Shareholder Participation in Annual General Meetings**

The CG Code requires Boards to ensure that shareholders' rights to full and meaningful participation at Annual General Meetings (AGMs) are protected. In this regard, issuers are expected to provide shareholders with sufficient and timely information on matters to be discussed at the AGM. In addition, shareholders should be afforded the opportunity to question management and receive sufficient information to enable them to properly assess the implications, costs and benefits of their voting decisions.

Further, every shareholder is entitled to ask questions and seek clarification on the company's performance as reflected in the annual report and financial statements or on any matter relevant to the company's operations and the protection of shareholder interests. Directors and management are expected to provide clear and adequate responses to such queries. While this right should be exercised in a manner that does not disrupt the orderly conduct of the AGM, it remains an important mechanism through which shareholders hold the Board and management accountable.

With the increasing adoption of virtual and hybrid AGMs, there is an expectation that these meetings should, as far as practicable, replicate the level of engagement and participation

available in physical meetings. The use of technology should therefore enhance, rather than limit, shareholder participation. However, it has been observed that some AGMs are conducted within very short timeframes, which may not allow adequate opportunity for shareholders to ask questions and seek clarification on company matters. This may undermine the effective exercise of shareholder rights, particularly given that AGMs remain one of the primary forums through which shareholders participate in the affairs of the company and hold leadership accountable.

In addition, AGMs should not be approached merely as a procedural exercise undertaken to satisfy statutory or regulatory requirements. Rather, they should be viewed as an important forum for meaningful and intentional engagement with shareholders, who are key stakeholders in the affairs of the company. Boards and management should therefore utilize AGMs as an opportunity for constructive dialogue with shareholders.

Issuers are therefore encouraged to be deliberate in facilitating meaningful shareholder engagement during AGMs. This includes providing adequate time for shareholder questions and discussions, ensuring that questions raised by shareholders are comprehensively addressed and publishing the questions and responses on the company's website within a reasonable time after the AGM.

**c) Alignment of Independence Policies with POLD Regulations 2023 and CG Code criteria**

The CG Code requires Boards to establish policies and procedures that safeguard the independence of their members. While most issuers have put such frameworks in place, the assessment revealed instances where certain independent directors did not meet the independence criteria prescribed under Regulation 2 of the POLD Regulations 2023, read together with Clause 2.4 of the CG Code.

Following the coming into effect of the POLD Regulations 2023, issuers should review and update their policies and procedures on Board independence to fully align with the criteria set out in Regulation 2 of the POLD Regulations 2023 and Clause 2.4 of the CG Code. Strengthening these frameworks and ensuring their consistent implementation will enhance the effective representation of minority shareholders and support the proper management of conflicts of interest.

## 9. SUSTAINING MOMENTUM: NEXT STEPS AND FUTURE FOCUS AREAS

While the 8th Edition records historic progress, governance is not a destination but a continuous journey. The findings of this assessment provide actionable intelligence on areas where issuers can deepen their governance practices to sustain and build upon the Leadership Rating achieved. These areas include:

- 9.1 **Deepening board diversity beyond gender:** to encompass skills, experience and sector expertise in line with the OECD Guidelines on Corporate Governance of State-Owned Enterprises and the King IV Report's emphasis on board composition as a strategic asset.
- 9.2 **Strengthening integrated reporting:** moving beyond financial disclosure to embrace integrated reports that communicate how an organization creates value across financial, manufactured, intellectual, human, social and natural capitals, consistent with IFRS S1 and IFRS S2.
- 9.3 **Advancing stakeholder governance:** embedding meaningful engagement with employees, communities, creditors and other stakeholders into governance frameworks, as envisioned by the UK Corporate Governance Code, the South African King IV Report and the United Nations Guiding Principles on Business and Human Rights.
- 9.4 **Accelerating ESG disclosure maturity:** progressing from qualitative narrative to quantitative, decision-useful ESG disclosures aligned with IFRS S1 and S2 standards, enabling both domestic and international investors to make well-informed capital allocation decisions.
- 9.5 **Institutionalizing governance culture:** ensuring that governance improvements are embedded in organizational culture rather than driven solely by regulatory compliance.
- 9.6 **Finalize the development of an ESG Code:** in partnership with the IFC, NSE and listed issuers, the CMA will finalize the development of an ESG Code establishing binding expectations for the integration of Environmental and Social factors into issuer strategy, operations, risk management and disclosure. This will provide the regulatory backbone for Kenya's transition to a sustainability led capital market. The Code will be aligned with IFRS S1 and S2 standards ensuring international credibility and domestic applicability.
- 9.7 **Machine Learning ESG Analyst (MALENA):** The Authority, in partnership with the IFC, successfully completed the development of the Machine Learning ESG Analyst (MALENA), a sophisticated tool designed to consolidate unstructured governance and ESG data through advanced machine learning and translate it into actionable insights for decision-makers. Following a rigorous beta testing

phase conducted jointly by the Authority and IFC, MALENA demonstrated exceptionally high success rates, affirming its viability as a robust instrument for corporate governance assessments. The tool's core value lies in its ability to aggregate information from multiple data sources simultaneously, significantly reducing the time and resources required to review large volumes of corporate disclosures and related documentation. Upon entering the implementation phase in March 2025, MALENA was deployed operationally to assess the governance practices of forty-five (45) companies during the 2025 fiscal year. These results underscore MALENA's strong potential to enhance the efficiency, consistency, and depth of ESG and corporate governance evaluations going forward.

The CMA will continue to provide the enabling regulatory environment, the capacity-building support, and the incentive architecture needed to sustain this governance improvement trajectory.





**CAPITAL  
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