KDC SUSTAINABILITY AND GREEN FINANCING STRATEGY 2026 – 2029

MISSION

A globally competitive development finance partner

VISION

To provide financial and technical support to medium and large-scale enterprises for sustainable socio-economic development

ESG VISION

To be a leading sustainability-integrated institution, catalyzing Kenya's transition to a green and climate-resilience

CORE VALUES

Customer - centric

Integrity

Sustainability

Inclusivity

Collaboration

Foreword:
Message from the Cabinet Secretary
Ministry of Investments
Trade and Industry

Kenya stands at a defining moment in its economic transformation. Through the Bottom-Up Economic Transformation Agenda (BETA), we are committed to accelerating growth, and reshaping our development pathway to ensure it is inclusive, resilient, and sustainable. The greening of our economy is a strategic imperative that will determine our competitiveness, climate resilience, and capacity to create dignified livelihoods for millions of Kenya

The global economy is more alive to sustainability. Markets demand greener products, investors prioritize sustainability performance, and trade regimes increasingly embed environmental standards. In this transformation, the Kenya Development Corporation (KDC) plays a central role. As a national development finance institution, KDC has consistently provided catalytic capital, de-risked strategic investments, and supported industrial growth across key sectors. Its deep market knowledge uniquely positions it to accelerate sustainable industrial development and crowd in private investment.

This Sustainability Strategy provides a clear roadmap for action. It aligns development finance with our national climate commitments, supports the adoption of cleaner production technologies, advances renewable energy investments, promotes circular economy models, and strengthens the participation of enterprises in green value chains. It reflects the BETA principle that transformation must be bottom up, empowering these enterprises to participate meaningfully in the green economy.

The commitment to sustainable advancement is profound in the strategy's objectives, carefully crafted to prioritize economic expansion, the creation of job opportunities, institutional innovation, strategic partnerships and the promotion of environmental stewardship.

I commend the leadership and team at KDC for their foresight and dedication. I urge the private sector, development partners, and all stakeholders to collaborate in mobilizing capital, deploying green technologies, and accelerating sustainable industrial growth.

Together, we will build a green, inclusive, and prosperous Kenya.

Hon. Lee Kinyanjui
Cabinet Secretary
Ministry of Investments, Trade, and Industry.

Foreword:
Message from the Principal Secretary State Department for Investment Promotion

Kenya's economic transformation requires institutions that convert policy ambition into measurable results. As we implement Vision 2030 and the Bottom-Up Economic Transformation Agenda, development finance must deliver tangible outcomes including productive enterprises, quality jobs, expanded exports, resilient value chains, and inclusive growth across all regions of our country.

The establishment of the Kenya Development Corporation KDC represented a deliberate reform to consolidate government development finance and strengthen coordination across priority sectors. This Sustainability Strategy marks the Corporation's transition from institutional integration to purposeful, performance-based execution. It affirms that sustainability, governance, and impact measurement are not fringe considerations, but central pillars of modern development finance.

The regulatory environment continues to evolve. The Kenya Green Finance Taxonomy, which becomes mandatory in October 2026, and the Central Bank of Kenya's Climate Risk Disclosure Framework are raising standards across the financial system. KDC's commitments demonstrate preparedness to operate within this strengthened regulatory architecture while setting a benchmark for peer institutions.

Kenya's Nationally Determined Contributions commit the country to a 32 percent reduction in greenhouse gas emissions below business-as-usual levels by 2030. Achieving this objective requires mobilizing climate finance and directing it toward productive sectors. KDC's advancement toward accreditation readiness is therefore a strategic priority, with the potential to unlock concessional capital for climate smart industrialization, sustainable agriculture, clean energy adoption, and enterprise resilience.

The Strategy's focus on financial inclusion, gender equity, youth employment, and MSME development directly supports our national economic agenda. Its emphasis on structured impact measurement and transparent reporting will ensure that developmental performance is tracked with the same rigor as financial returns, strengthening institutional credibility, and public trust.

As the oversight office, we remain committed to supporting KDC through policy alignment, inter agency coordination, and capacity strengthening. Structured quarterly performance reporting and clearly defined indicators will ensure that implementation remains on course and results oriented.

Kenya's competitiveness in regional and global markets increasingly depends on sustainability, transparency, and governance excellence. This Strategy provides a clear and credible roadmap for KDC to deliver its mandate while reinforcing the standards expected of a state development finance institution.

Mr. Abubakar Hassan Abubakar, CBS Principal Secretary
State Department for Investment Promotion

Foreword:
Message from the Board Chairperson

The development finance community stands at a critical juncture. Climate change, biodiversity loss, and widening inequality are no longer distant threats, they are material risks reshaping the markets in which we invest and the communities we serve. At the same time, they represent the defining opportunity of our generation: to redirect capital toward a more resilient, inclusive, and sustainable future.

As chair of the board, I am proud to present this sustainability strategy and green finance strategy, which establishes how Kenya Development Corporation will fulfill its mandate in this new reality. This framework is a blueprint for how sustainability will inform every investment decision, every policy dialogue, and every partnership we forge.

Our board recognizes that embedding environmental, social, and governance considerations into our operations is both a fiduciary imperative and a moral one. Development finance institutions exist to catalyze markets where they have failed and to demonstrate what responsible investment looks like.

This strategy commits us to ambitious but achievable targets: 100% ESG screening for all new investments, 20% green portfolio classification by 2029, and USD 100 million in green financing mobilization. We will measure what matters, report honestly on our progress, and adjust course when evidence demands it.

I want to thank our management team for their leadership in developing this Strategy, and our stakeholders, whose voices have shaped our approach. The board is united in our resolve to hold ourselves accountable for delivering on these commitments. I am confident that Kenya Development Corporation has the expertise, the partnerships, and the conviction to help build the sustainable economies our world urgently needs.

Hon Dr. Sakwa Bunyasi
Chairman Kenya Development Corporation

Message from the Director General

It is my pleasure to present the Kenya Development Corporation's sustainability and green financing strategy. This marks an important milestone in positioning KDC at the forefront of Kenya's sustainable development agenda. It reflects our firm commitment to integrating environmental stewardship, social responsibility, and sound governance into all aspects of our operations. The framework aligns with Kenya Vision 2030, the National Climate Change Action Plan, the Bottom-Up Economic Transformation Agenda, and Kenya's commitments under the Paris Agreement.

Sustainability is fundamental to our mandate as a development finance institution and a driver of national economic transformation. Embedding ESG principles into our investment strategy, will strengthen our ability to support inclusive economic growth and protect the natural resources that sustain Kenya's long-term prosperity.

Integrating sustainability into our core business model is essential to maintaining our relevance and effectiveness. Climate change presents serious risks to Kenya's economy, particularly in sectors such as agriculture, energy, water resources, manufacturing, and infrastructure. This approach enhances our competitiveness, strengthens risk management, expands access to climate finance and reinforces our position as a trusted partner in sustainable development.

Our sustainability commitments contribute directly to the achievement of the sustainable development goals and to Kenya's transition toward a low-carbon, climate-resilient economy. Through strong governance, transparent reporting, and active stakeholder engagement, we will ensure accountability and measurable progress against our sustainability objectives.

The success of this strategic direction will depend on collaboration with government institutions, private sector partners, development agencies, and the communities we serve.

I wish to acknowledge the World Bank, National Treasury, Ministry of Investment Trade and Industry, and our stakeholders for their collaboration and technical support. I do equally recognize and appreciate our Board members led by the Chairman, Hon. Dr. Sakwa J. Bunyasi, for their strategic leadership and participation in preparation of this Sustainability Strategy.
I am grateful to all our staff and the strategic planning team for their participation, dedication and resourcefulness in preparation of this Plan. Similarly, special gratitude goes to our consultants for facilitating the process in a participatory and consultative manner, guiding our deliberations and putting it all together in the strategies.

As we move forward, I am confident that KDC's commitment to sustainability will create lasting value for Kenya and its people. I invite all stakeholders to work with us in turning these commitments into meaningful action that secures a resilient, inclusive, and prosperous future for generations to come.

CPA/FA. Ms. Norah Ratemo Director General
Kenya Development Corporation

Acronyms and Abbreviations

BETA	Bottom-Up Economic Transformation Agenda
CSOs	Civil Society Organizations
DNSH	Do No Significant Harm
DFI	Development Finance Institution
ESG	Environment, Social and Governance
ESIA	Environmental and Social Impact Assessment
GCF	Green Climate Fund
GRI	Global Reporting Initiative
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
ILO	International Labour Organization
KDC	Kenya Development Corporation
KGFT	Kenya Green Finance Taxonomy
KPIs	Key Performance Indicators
MSME	Micro Small and Medium Enterprises
MSC	Makes Substantial Contribution
MSS	Minimum Social Safeguards
NCCAP	National Climate Change Action Plan
NDC	Nationally Determined Contribution
OAG	Office of the Auditor General
SDG	Sustainable Development Goals
SMEs	Small and Medium Enterprises

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Executive Summary

Kenya Development Corporation (KDC) seeks to lead Kenya's transition to a green, climate resilient, and inclusive economy. As Kenya's national development finance institution, KDC aims to align its capital with the country's climate commitments, green industrialization agenda, and Vision 2030 priorities while strengthening its own financial sustainability and risk resilience. The Sustainability and green financing strategy provides the strategic and operational framework to translate this ambition into action.

The Sustainability Strategy embeds environmental, social, and governance principles into governance oversight, investment decision-making, risk management, and performance monitoring. It clarifies Board and management accountability, aligns sustainability with KDC's development mandate, and establishes measurable performance indicators. Sustainability becomes a core driver of institutional performance rather than a parallel initiative.

The Green Finance Strategy translates aspirations into capital deployment. It identifies priority sectors such as renewable energy, green manufacturing, sustainable infrastructure, climate-resilient agriculture, and resource efficiency. It defines pathways to expand green lending, structure blended finance vehicles, mobilize private sector co-investment, and develop thematic green instruments. KDC aims at increasing the proportion of green and sustainable assets, thus reducing exposure to climate-vulnerable investments.

The Sustainable Financing Taxonomy strengthens credibility and consistency. It defines what qualifies as green, sustainable, and transition finance within KDC's portfolio, aligned with international standards and Kenya's national priorities. The taxonomy establishes clear eligibility criteria and measurable thresholds, guides project screening and classification, and enables consistent monitoring and impact reporting. Ensuring that every qualifying transaction is grounded in a transparent framework, KDC strengthens investor confidence, guarantees comparability, and safeguards against greenwashing.

Together, these elements position KDC to deliver measurable outcomes across three dimensions. First, portfolio transformation through a defined and growing share of green and sustainable assets, supported by ESG risk screening across all new investments. Second, capital mobilization through increased access to concessional climate finance, stronger blended structures, and expanded private sector participation. Third, development and climate impact through emissions reduction, renewable energy expansion, improved resource efficiency, enhanced climate resilience, and the creation of green and inclusive jobs.

The sustainability strategy and green finance strategy aligns internal operations, capital allocation, risk management, and impact measurement into one coherent framework. It strengthens KDC's institutional reputation as a credible steward of development capital and a trusted partner for global climate finance. Most importantly, it equips KDC to accelerate Kenya's green transformation while protecting long-term institutional value.

1. Sustainability Strategic Direction

1.1 Sustainability Vision and Strategic Intent

KDC's ESG mission is to embed environmental stewardship, social responsibility, and governance excellence across all operations and investments, delivering measurable positive impact for Kenya's people, communities, and natural environment while generating sustainable returns for stakeholders.

Pillar	Commitments
Environmental	Ensure environmental compliance across projects, promote renewable energy, pollution prevention, biodiversity protection, and integrate climate risk into investment appraisal.
Social	Promote inclusive economic growth, support gender equality, youth employment, labor standards, community development, and human rights protection.
Governance	Maintain zero tolerance for corruption, ensure regulatory compliance, promote transparency, strengthen ESG oversight and reporting.

1.2 Strategic Goals

KDC’s sustainability framework pursues four strategic goals, each tied to measurable outcomes:

Table 2. KDC’s Strategic Goals

Strategic Goal	Key Targets
Embed sustainability into core operations	100% ESG screening of new investments; ESG linked perfomance management
Strengthen ESG risk management	Climate risk screening tools adopted; portfolio-wide environmental and social safeguards
Unlock sustainable finance	USD 100 million green financing mobilized by 2029; GCF/AF accreditation readiness achieved
Enhance transparency and accountability	GRI / IFRS S1 & S2 sustainability reporting; annual sustainability disclosures; third party assurance

1.3 Focus Areas

The Sustainability Strategy identifies seven material ESG topics organized into three pillars. These were determined through a Double Materiality Assessment that evaluated both how KDC's activities affect the environment and society, and how external ESG factors influence KDC's financial performance.

Table 3. Focus Areas

Pillar	Key Result Area	Focus Areas
	Environmental Stewardship	Pollution prevention, resource efficiency, biodiversity protection, ESIA enforcement, environmental audits and continuous compliance
	Climate Action	Green finance mobilization, carbon footprint management/emissions reduction, climate-risk integration, GCF accreditation, carbon credit toolkit development
	Inclusive Economic & Social Development	Job creation, MSME support, gender-responsive financing, financial inclusion, human rights protection
	Commitment to Community	Community investment, stakeholder engagement, vulnerable and marginalized group inclusion
	Employee Wellbeing and Development	Occupational health and safety, staff training, ESG capacity building, labor standards
	Responsible Business Practice	Anti-corruption, regulatory compliance, sustainable procurement, data protection, ESG risk management
	Good Corporate Governance	Board ESG oversight, sustainability reporting, transparency, stakeholder accountability

2. Green Finance

2.1 Role of Green Finance in Delivering the Sustainability Strategy

Green finance is the execution engine of the sustainability strategy, translating KDC's sustainability commitments into measurable financial action across its portfolio and operations.

It enables KDC to:

a. Embed climate and environmental screening into credit appraisal, product structuring and portfolio monitoring

b. Increase the share of climate-aligned and resource-efficient investments

c. Mobilize concessional, blended and climate-linked capital through credible governance and standards alignment

d. Integrate environmental and social risk management across the investment lifecycle

e. Strengthen portfolio resilience and protect long-term asset quality

f. Channel capital toward climate-smart enterprises and sustainable value chains

g. Link sustainability performance to financial flows, measurable targets and transparent reporting

2.2 Strategic Pillars

Figure 1. Strategic Pillars

- Strengthening institutional readiness and governance
- Green pipeline development and enterprise support
- Mobilization of green and climate capital
- Climate and environmental risk management
- Partnership development and stakeholder engagement

I. Strengthening Institutional Readiness, Governance & Policy

Institutional readiness, governance and policy strengthening form the strategic foundation of KDC's green finance strategy by embedding green finance within governance structures, policies, systems and decision-making processes, ensuring it is fully integrated across strategy, risk management and investment operations rather than treated as a standalone initiative.

Table 4. Institutional Readiness

Importance	Action points
a) Anchors green finance at board and management level, ensuring accountability and oversight	a) Formalizing board-level oversight of green finance and assigning clear executive accountability
b) Creates policy clarity on green eligibility, exclusions and alignment with national taxonomies	b) Developing and approving a green finance policy and operational guidelines
c) Embeds climate and environmental risk screening into credit appraisal and portfolio monitoring	c) Integrating green eligibility and climate risk screening into loan appraisal processes
d) Strengthens internal coordination and cross-departmental implementation	d) Embedding green portfolio classification and tracking within internal systems
e) Enhances institutional credibility with regulators, development partners and investors	e) Establishing a designated green finance lead or technical committee for coordination f) Building staff capacity through targeted training on climate finance and ESG integration

The benefits of successfully implementing this pillar include:

a) Improved credibility and readiness to access climate finance and blended capital

b) Reduced reputational and regulatory risk through structured governance and policy alignment

c) Stronger portfolio integrity through consistent screening and classification

d) Enhanced data quality and reporting capacity for green portfolio measurement

e) Institutional positioning of KDC as a sustainability-integrated development finance institution

II. Green Pipeline Development and Enterprise Support

Green pipeline development and enterprise support is central to scaling KDC's green finance ambitions. While governance provides the foundation, a strong and credible pipeline ensures that green finance translates into real transactions, measurable impact and portfolio growth. This pillar focuses on systematically identifying, structuring and supporting climate-aligned and environmentally responsible investments across KDC's priority sectors.

Green pipeline development and enterprise support is important to KDC because,

a) Increases the share of green assets within the overall portfolio

b) Strengthens the quality and bankability of climate-aligned projects

c) Positions KDC as a proactive originator of green investments rather than a passive financier

d) Supports sector transition toward low-carbon, resource-efficient and climate-resilient models

e) Enhances readiness to deploy mobilized green and concessional capital

To build a green pipeline and a diverse enterprise support, we will adhere to the following action points;

a) Conducting green pipeline mapping across priority sectors such as renewable energy, energy efficiency, climate-smart agriculture and circular economy

b) Developing a structured green project origination and screening framework

c) Introducing tailored green finance products such as sustainability-linked loans and green loans

d) Establishing a green project preparation facility to support feasibility studies and early-stage structuring

e) Providing enterprise advisory and sensitization programs to improve investor readiness for green projects

f) Integrating green eligibility criteria into credit appraisal and deal qualification processes

The benefits of achieving this pillar include:

Figure 2. Benefits of green product development

- Accelerated growth of KDC's green portfolio and measurable climate impact
- Improved quality of transactions through early-stage technical support
- Reduced project failure risk due to stronger structuring and screening
- Stronger development impact through support of green jobs, innovation and sustainable value chains
- Increased competitiveness in mobilizing climate capital by demonstrating a ready pipeline

III. Mobilization of Green & Climate Capital

Mobilization of green and climate capital is essential to enabling KDC to scale its green finance ambitions beyond internal balance sheet limitations. As a development finance institution, KDC plays a catalytic role in crowding in capital to sectors that are strategically important but often underserved by commercial finance. This pillar strengthens KDC's ability to access concessional resources, blended finance structures and climate-focused funding streams, thereby increasing the volume, affordability and diversity of capital available for climate-aligned investments. By positioning itself as a credible conduit for green capital, KDC enhances its relevance within the sustainable finance ecosystem while amplifying its development impact across priority sectors.

Figure 3. Process to mobilize green finance

The process for mobilizing green finance involves several strategic steps designed to expand access to concessional and climate-aligned funding while strengthening KDC's role as a catalyst for sustainable investment.

- Securing partnerships with multilateral, bilateral and climate-focused institutions to access long-term concessional funding.
- Pursuing accreditation pathways, where feasible, to strengthen direct access to climate finance facilities.
- Structuring blended finance instruments that combine concessional and commercial capital to de-risk green investments and developing frameworks for potential green or sustainability bond issuance.
- Strengthening internal resource mobilization capacity and climate finance proposal development.
- Establishing co-financing arrangements with domestic financial institutions to expand green SME lending.

Key action points for us to mobilize green and climate capital include

The benefits of achieving this pillar include:

a) Increased access to diversified and lower-cost capital for green investments.

b) Enhanced capacity to finance larger-scale and higher-impact climate projects.

c) Reduced investment risk through blended finance and risk-sharing mechanisms.

d) Improved institutional credibility and visibility in regional and international sustainable finance markets.

e) Accelerated achievement of green portfolio growth and climate impact targets.

IV. Climate & Environmental Risk Management

Climate and environmental risk management is critical to safeguarding KDC's portfolio, reputation and long-term sustainability. As climate change intensifies and regulatory expectations evolve, environmental and climate-related risks increasingly affect the financial performance and resilience of investee companies. This pillar ensures that KDC systematically identifies, assesses and mitigates physical, transition and environmental risks across the entire investment lifecycle. By embedding climate and environmental considerations into credit appraisal, monitoring and portfolio oversight, KDC strengthens asset quality, protects development outcomes and reinforces its role as a responsible development finance institution and environmental considerations into credit appraisal, monitoring and portfolio oversight, KDC strengthens asset quality, protects development outcomes and reinforces its role as a responsible development finance institution.

To effectively manage climate and environmental risk, we will,

a. Integrating climate and environmental risk screening into credit appraisal and investment approval workflows

b. Developing and deploying standardized environmental and climate risk assessment tools

c. Aligning internal risk categorization systems with recognized frameworks and national requirements

d. Incorporating environmental covenants and compliance requirements into loan agreements

e. Strengthening ongoing portfolio monitoring through periodic environmental reviews and reporting

f. Building staff capacity on climate risk analysis, environmental due diligence and mitigation planning

g. Aligning disclosure practices with evolving sustainability and climate reporting standards

The benefits of achieving this pillar include:

a) Improved portfolio resilience against climate-related shocks and regulatory changes

b) Reduced exposure to stranded assets and environmentally high-risk sectors

c) Strengthened compliance with national environmental and climate frameworks

d) Enhanced credibility with regulators, investors and development partners

e) Better-informed investment decisions through structured risk analysis

f) Protection of KDC's reputation and social license to operate

V. Partnership Development & Stakeholder Engagement

Partnership development and stakeholder engagement is fundamental to the success of KDC's green finance strategy because sustainable transformation cannot be achieved in isolation. As a national development finance institution, KDC operates within a broader ecosystem that includes government, regulators, development partners, commercial banks, private sector enterprises and communities. This pillar ensures that green finance is supported by coordinated collaboration, policy alignment and continuous dialogue, enabling KDC to catalyze systemic change while strengthening its influence and credibility within the sustainable finance landscape.

Key action points for KDC include:

a. Strengthening engagement with national ministries, regulators and county governments to align green finance initiatives with policy priorities

b. Building strategic partnerships with development partners and climate finance institutions for co-financing and technical assistance

c. Establishing collaboration frameworks with commercial banks to expand green SME lending and risk-sharing mechanisms

d. Conducting stakeholder sensitization programs to promote awareness of green finance opportunities among enterprises

e. Supporting sector dialogues, roundtables and knowledge-sharing platforms to accelerate adoption of climate-smart solutions

f. Strengthening communication strategies to position KDC as a leader in green development finance

The benefits of achieving this pillar include:

a. Expanded access to technical expertise, concessional funding and co-investment opportunities
b. Improved policy alignment and regulatory support for green finance initiatives
c. Stronger pipeline development through proactive enterprise engagement
d. Enhanced market confidence and institutional visibility
e. Accelerated uptake of sustainable business models across priority sectors
f. Reinforced trust and long-term relationships with stakeholders

2.3 Priority Sectors for Green Financing

Table 5. Potential Priority sectors

Priority Sectors	Detailed Explanations
Renewable energy	Renewable energy is a priority sector as it directly supports Kenya's transition to a low-carbon economy while expanding energy access and reducing dependence on fossil fuels. Financing renewable generation and distributed energy solutions strengthens climate resilience and contributes to long-term energy security.
Energy efficiency in industries and buildings	Energy efficiency investments reduce operational costs, lower emissions and improve competitiveness across industrial and commercial sectors. Financing upgrades in machinery, equipment and building systems enables resource optimization while accelerating decarbonization.
Water, sanitation and waste water treatment	Investments in water infrastructure and wastewater treatment enhance environmental protection, public health and resource sustainability. This sector supports compliance with environmental standards while strengthening climate resilience in water-stressed regions.
Sustainable tourism infrastructure	Sustainable tourism financing promotes resource-efficient facilities, eco-certified operations and environmentally responsible infrastructure. This enhances sector resilience, protects natural ecosystems and strengthens Kenya's positioning as a sustainable tourism destination.
Climate-smart agriculture and agro-processing	Climate-smart agriculture supports food security, farmer resilience and sustainable value chains through efficient irrigation, sustainable inputs and low-emission practices. Financing in this sector reduces climate vulnerability while improving productivity and rural livelihoods.
Sustainable manufacturing and clean technologies	Sustainable manufacturing promotes cleaner production processes, reduced waste and adoption of low-carbon technologies. Financing clean technologies strengthens industrial competitiveness while minimizing environmental impact.
Circular economy and waste management	Circular economy investments support recycling, reuse and resource recovery models that reduce landfill dependence and environmental degradation. This sector drives innovation, creates green jobs and enhances material efficiency across value chains.

3. Sustainable Financing Taxonomy

3.1 Purpose of the taxonomy

The KDC sustainable financing taxonomy provides a structured and consistent framework for classifying investments in line with KDC's sustainability and green finance strategic direction. The taxonomy is designed to guide decision-making across the investment lifecycle by clearly distinguishing activities that contribute to environmental sustainability from those that do not.

The primary purpose of the taxonomy is to:

a. Establish a common classification language for sustainability-aligned investments across KDC
b. Prevent greenwashing by applying objective, evidence-based eligibility criteria
c. Enhance credibility, transparency and confidence among the government, development partners, investors and other stakeholders.

In addition, the Taxonomy is designed to remain nationally aligned, including mirroring relevant concepts and terminology used in the Kenya Green Finance Taxonomy (KGFT). This strengthens consistency in how KDC defines and communicates sustainable finance priorities within the Kenyan market and to Government stakeholders. By applying a uniform classification approach, the taxonomy strengthens KDC's ability to demonstrate how sustainability and green finance objectives are translated into concrete investment decisions and portfolio outcomes.

3.2 How the taxonomy works

The taxonomy applies a clear, sequential screening logic that aligns with international and national leading practice, while remaining practical for KDC's development finance mandate.

All projects are assessed against three core principles:
Table 6. Taxonomy Principles

Minimum Social Safeguards (MSS)	Confirms compliance with minimum labor, occupational health and safety, human rights and community protection standards. Projects that fail to meet these safeguards are not eligible for classification.
Do No Significant Harm (DNSH)	Ensures that an activity does not cause material harm to other environmental or social objectives while pursuing a sustainability outcome.
Makes Substantial Contribution (MSC)	Assesses whether the activity delivers a meaningful and measurable positive contribution to at least one defined environmental objective.

3.3 Classification categories

Eligible investments are classified into one of four categories, based on the strength and nature of their sustainability contribution:

Table 7: Classification Categories

Category	Description
Green	Activities that already deliver a clear and substantial environmental benefit and are aligned with low-carbon, resource-efficient or climate-resilient outcomes.
Transition	Activities that are not yet fully green but demonstrate a credible, time-bound pathway to improved environmental performance, supported by measurable milestones.
Enabling	Activities that indirectly support sustainability outcomes by enabling green or transition activities, such as infrastructure, services or systems that facilitate environmental improvements.
Not Eligible	Activities that fail to meet minimum social safeguards, cause significant harm, or are inconsistent with KDC's sustainability objectives and mandate.

3.4 Role of the taxonomy in Decision-Making

The Sustainable Financing Taxonomy is applied across the entire investment lifecycle, using existing KDC governance and approval processes.

Specifically, the taxonomy supports:

Table 8. Role of Taxonomy

Investment Origination and Appraisal	Investment teams apply the taxonomy to screen eligibility, identify sustainability risks and opportunities, and propose an initial classification during project appraisal.
Investment Approval	The Investment Committee reviews and validates the proposed classification, including any transition pathways, conditions or sustainability-linked performance indicators.
Portfolio Monitoring and Reporting	Approved classifications are tracked at portfolio level to monitor safeguards compliance, sustainability performance and progress against agreed targets.

The taxonomy informs and structures investment decisions but does not replace commercial, credit or risk assessments. Instead, it ensures that sustainability considerations are consistently embedded alongside financial decision-making, supporting transparency, accountability and effective reporting to stakeholders.

4. EXPECTED OUTCOMES AND IMPACT

The implementation of KDC's Sustainability and Green Finance Strategy is expected to deliver measurable institutional strengthening, portfolio transformation and broader development impact. By embedding ESG considerations into capital allocation and aligning investments with national and global sustainability priorities, KDC reinforces its role as a forward-looking DFI. The outcomes outlined below demonstrate how this strategic direction strengthens governance, enhances financial resilience and contributes to sustainable economic growth and long-term resilience.

Table 9. Expected outcomes

Outcomes	Strategic Focus Area	Implications and Expected Results
Institutional Outcomes	Strengthened Governance and Oversight	ESG embedded within Board and Management oversight structures, strengthening accountability and aligning sustainable finance practices with the Kenya Green Finance Taxonomy (KGFT) and national development priorities under Vision 2030.
	Improved ESG and Climate Risk Management	Systematic integration of environmental impacts, social safeguards and climate-related risks across the investment lifecycle, supporting Kenya's Nationally Determined Contribution (NDC) and implementation priorities under the National Climate Change Action Plan (NCCAP).
	Enhanced Transparency and Reporting	Portfolio-level sustainability reporting aligned with recognized disclosure standards, including GRI and IFRS S1/S2, strengthening comparability, accountability and investor confidence.
Financial and Portfolio Outcomes	Growth of Green and Transition Assets	Progressive increase in investments supporting renewable energy, resource efficiency, cleaner production and climate resilience across priority sectors, contributing to SDG 9 (Industry, Innovation and Infrastructure).
	Mobilization of Climate and Green Capital	Enhanced access to concessional, blended and commercial climate finance, including engagement with the Green Climate Fund (GCF) and other climate finance mechanisms, supporting Kenya's climate finance objectives under its NDC.

Outcomes	Strategic Focus Area	Implications and Expected Results
Development and Market Impact	Improved Long-Term Portfolio Resilience	Reduced exposure to environmental liabilities and transition risks through disciplined ESG and climate screening as well as investment in climate-adaptive technologies, contributing to SDG 13 (Climate Action).
	Job Creation and Enterprise Competitiveness	Support for enterprise modernization, MSME participation and decent employment generation aligned with ILO Labor Standards, contributing to SDG 8 (Decent Work and Economic Growth) and industrialization objectives under Vision 2030 and BETA.
	Advancing Kenya's Green Industrial Transition	Financing cleaner technologies, sustainable infrastructure and climate-smart production systems aligned with Vision 2030 and sector priorities under NCCAP.
	Contribution to National Climate and Development Goals	Measurable contribution to Kenya's emissions reduction and adaptation commitments under its NDC, while supporting inclusive and sustainable economic growth aligned with the Sustainable Development Goals (SDGs).

SDG	Goal	KDC's Contributions
01 NO POVERTY	No Poverty	MSME financing, job creation, inclusive growth initiatives, support underserved communities and reduce economic vulnerability across Kenya's 47 counties
07 AFFORDABLE AND CLEAN ENERGY	Affordable & Clean Energy	Renewable energy and energy-efficiency financing will reduce emissions, enhance energy access, and consequently support Kenya's transition to a low-carbon, climate-resilient economy
08 DECENT WORK AND ECONOMIC GROWTH	Decent Work & Economic Growth	KDC's investments drive enterprise growth, create quality jobs, promote youth employment, and strengthen labor standards and occupational safety across financed projects.
09 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Industry, Innovation & Infrastructure	Strategic financing supports manufacturing, industrial infrastructure, and innovation-driven enterprises, strengthening Kenya's competitiveness and long-term economic transformation.
13 CLIMATE ACTION	Climate Action	Climate-aligned financing, emissions-reduction projects, and climate-risk screening enhance national resilience and advance Kenya's commitments under global and national climate frameworks.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Peace, Justice & Strong Institutions	Strong governance, ethical conduct, anti-corruption safeguards, and transparent reporting reinforce institutional integrity, public trust, and accountability across KDC's operations.

5. STAKEHOLDER ENGAGEMENT

Stakeholder engagement is a cornerstone of the Kenya Development Corporation (KDC) sustainability journey, serving as a strategic catalyst to align its financial mandate with national and global green agendas. Fostering deep collaboration across diverse groups, ranging from loanees in green manufacturing and agribusiness to regulators, the National Treasury and the National Assembly, KDC ensures that its sustainability initiatives are inclusive, transparent, and culturally sensitive.

These engagements will support the corporation's journey by:

a. Co-creating innovative green solutions with implementers on the ground to reduce equity valuation risks and enhance the impact of its green portfolio.

b. Strengthening institutional credibility and social license through proactive outreach and participatory feedback forums with local communities and the public.

c. Securing supportive legislative and policy environments via regular briefings with the National Assembly and audit bodies, ensuring long-term fiscal accountability and mandate alignment.

d. Mainstreaming ESG standards by providing technical assistance and "readiness clinics" to potential customers, which builds a robust pipeline of bankable, climate-aligned enterprises.

This structured engagement transforms stakeholders from passive observers into active partners, effectively de-risking ventures, and ensuring that KDC's path towards a low-carbon, resilient future is both sustainable and impactful.

6. IMPLEMENTATION AND OVERSIGHT

The section outlines how KDC's sustainability strategy translates specific priorities, timelines, and accountability structures.

The following table highlights selected strategic priorities across KDC's three ESG pillars. These represent a subset of the broader initiatives detailed in KDC's Sustainability Strategy, Green Finance Strategy, and supporting frameworks, spanning both internal operations and portfolio-level interventions across the 2026-2029 implementation period.

Strategic Priorities		Timeline 6-12 MONTHS	13-23 MONTHS	24- 36 MONTHS	Budget
Environmental Pillar					
Environmental Stewardship	Conduct comprehensive water and energy audits	Complete the first annual audit and implement accompanying recommendations			KES 850,000
	Replace existing bulbs with LED lighting and install automated motion sensors in washrooms and corridors and photocell enabled bulbs in offices	Electricity use reduction by 20% percent			KES 500 per bulb
	Reduce paper usage through digital documentation, e-approvals, and email communication	25% paper usage reduction	50% paper usage reduction		KES digital tool subscription fees per user for each month
	Develop and implement partnerships with waste recycling and reuse system through licensed recyclers for responsible disposal	50% of annual waste recycled			KES 50,000 monthly

Strategic Priorities		Timeline 6-12 MONTHS	13-23 MONTHS	24- 36 MONTHS	Budget
Environmental Pillar					
Environmental Stewardship	Implement single-use plastic elimination program across all office locations and replace usage with biodegradable cardboard/paper cutlery	60% reduction in single-use plastic items			KES 500,000
	Establish mandatory ESIA enforcement for all high-risk projects before disbursement	100% of high-risk projects with ESIA approval before disbursement			In house no budget cost
	Integrate environmental compliance monitoring based on EMCA (2015)		100% of medium and high-risk projects have EMCA compliance		In house no budget cost
	Establish critical habitat assessment protocol for all projects near protected areas referencing IFC PS6 methodology and Goal 3 of NBSAP	100% projects in/near critical habitats have approved Biodiversity Action Plans			Validate Biodiversity Action Plans, Field visits KES 500,000 tentative

Strategic Priorities		Timeline 6-12 MONTHS	13-23 MONTHS	24- 36 MONTHS	Budget
Environmental Pillar					
Climate Action	Implement a fuel efficiency policy for official vehicles (route planning, fuel logs, and carpooling)	Internal fuel efficiency policy developed and approved			In house policy development, no budget cost
	Resource mobilization for green finance		USD 100 million mobilized for green finance		KES 1,000,000
	Proportion of KDC's green portfolio		20% of projects classified as green as per KDC Green Finance Taxonomy		A taxonomy in place in house, one day training KES 50,000
	Develop climate risk management assessment tools		100% of all new customers assessed for climate risk		KES 1,000,000 Technical Assistance
	Green Climate Fund accreditation road map developed and implemented			100% implementation of the Green Climate Fund accreditation roadmap	KES 10,000,000

Strategic Priorities		Timeline			Budget
		6-12 MONTHS	13-23 MONTHS	24- 36 MONTHS	
Environmental Pillar					
Climate Action	Develop a carbon credit development toolkit		2 carbon credit projects developed	25% Scope 1 and 2 carbon reduction	KES 2,000,000 Technical Design Support and in house application
	Internal operations GHG emissions tracking for Scope 1 and 2				KES 4,000,000 (Audits and System development)
Social Pillar					
Commitment to Community	Development and implementation of a flagship project for KDC CSI activities		2,000 beneficiaries of KDC CSI activities		KES 5,000,000 Annually
Economic & Social Development	Direct green jobs creation		500 direct green jobs created		In house monitoring and tracking, no budget cost
	Indirect jobs creation		Reach at least >2000 indirect jobs created		In house monitoring and tracking, no budget cost

Strategic Priorities		Timeline 6-12 MONTHS	13-23 MONTHS	24- 36 MONTHS	Budget
Social Pillar					
Economic & Social Development	Direct green jobs creation		500 direct green jobs created		In house monitoring and tracking, no budget cost
	Indirect jobs creation		Reach at least >2000 indirect jobs created		In house monitoring and tracking, no budget cost
	Promote financial inclusion		Reach at least 10,000 financially excluded beneficiaries by 2028		In house monitoring and tracking, no budget cost
Employee Wellbeing and Development	Establish labor laws compliance verification for KDC and investment portfolio	100% compliance			In house monitoring and tracking, no budget cost
	Conduct staff sensitization sessions on energy conservation, waste management, and sustainability habits	1 event per quarter			KES 200,000 annually

Strategic Priorities		Timeline 6-12 MONTHS	13-23 MONTHS	24- 36 MONTHS	Budget
Social Pillar					
Employee Wellbeing and Development	Establish an Internal Green Champions Program with departmental representatives	Green champions program established			In house no budget
	Organize annual sustainability challenges or competitions	1 event			KES 80,000 annually
	Establish a sustainability induction module for new staff	Effective 2026			In house, no budget cost
Governance Pillar					
Responsible Business Practices	Develop KDC suppliers' code of conduct referencing national Code of Ethics for Public Procurement	Code of Conduct finalized and approved			KES 500,000
	Establish a dedicated data and analytics system to drive data governance, management and compliance		System fully established and operational		KES 5,000,000

Strategic Priorities		Timeline			Budget
		6-12 MONTHS	13-23 MONTHS	24- 36 MONTHS	
Governance Pillar					
Good Corporate Governance	Publish annual sustainability report fully aligned with GRI Universal Standards 2021 and IFRS S1 and S2		100% compliance with GRI 2021 and IFRS S1 and S2		KES 5,000,000 annually
	Assign ESG responsibility to the Board with quarterly meeting schedule	Board-level ESG committee creation			KES 300,000 annually

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