Phenomenological Insights into Strategic Leadership and Climate Risk Governance in Kenya's Banking Sector: Qualitative Approach

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Abstract

Climate change poses systemic risks to financial institutions. It is therefore necessary for it to become part of corporate governance processes that consider and incorporate climate concerns into enterprise risk management. Yet amid growing global concern over climate-risk governance, there is no substantial body of empirical phenomenological research on how corporate boards in developing economies perceive, make sense of, interpret, manage, and operationalise these risks within their overall institutional risk frameworks. This study, which focused on phenomenological insights into strategic leadership and climate risk governance in Kenya's banking sector, attempted to address this gap. The study used a qualitative interpretive approach. The results were derived from a thorough interpretive phenomenological analysis, which was narrowed to focus on identified themes pertaining to board perceptions on climate risk, governance frameworks, and strategic leadership practices. The results suggest that climate risk governance is progressively being integrated into banking institutions' enterprise risk management frameworks, board oversight structures, risk assessment models, and disclosure processes. Additionally, the Central Bank of Kenya's regulatory guidance on climate change governance by corporate boards has attracted significant attention.

However, there are still barriers to effective climate change management within banking institutions, including insufficient availability of climate data, limited technical capabilities, and frequent regulatory changes. The findings underscore the importance of perceived strategic leadership of corporate boards on climate change risk management in accelerating climate risk governance in Kenya's banking institutions. Easier access to data, human capacity strengthening and stronger enforcement are recommended.

Key Words: Climate-risk governance, Corporate Boards, Strategic leadership, Banking institutions, Risk management integration.

INTRODUCTION

Climate change is now considered a material financial risk with significant consequences for industry performance, financial stability and corporate economic health. These include physical risks from severe weather, transition risks related to regulations and technology, and legal risks related to changing market and compliance requirements. Accordingly, the issue of climate risks has become a key theme in corporate governance and strategic management.

Currently, global governance frameworks and disclosure guidance increasingly highlight the vital responsibility of corporate boards to supervise climate-related risks and opportunities, extending beyond regulatory oversight into the realm of strategic oversight, which embeds climate in organisational risk management and, on account of long-term value creation, is central to corporate governance (FSB, 2017; WEF, 2019). The Task Force on Climate-Related Financial Disclosures (TCFD) was a significant step forward in changing how organisations approach climate governance. According to the TCFD system, four pillars, namely governance, strategy, risk management, and metrics and targets, were identified and highlighted, with an emphasis on board accountability for

monitoring climate-related risks and assisting management in incorporating risk management into business decision-making (FSB, 2017).

Increasingly, stakeholders want disclosure on how boards perceive climate risks, how often board-level discussions occur, and how climate concerns are driving strategic decisions surrounding areas such as capital allocation and long-term strategic planning. Academic discussions acknowledge the critical contribution of boards to shaping organisational responses to climate change through strategic oversight, risk management and responsibility. It is the responsibility of the board of directors to integrate climate risks into enterprise risk management systems to achieve organisational objectives (WEF, 2019). It demands strong expertise at the board level to manage effectively and integrate climate considerations into corporate policies, governance, and operating processes. In addition to oversight, boards are strategic leaders who set the "tone at the top", signalling the need for sustainability and resilience. Boards set priorities through fiduciary duties that approve climate-related policies and embed climate risks in long-term strategy and performance monitoring (KPMG, 2021).

Emerging governance literature suggests that climate governance can be effective only if boards move from passive oversight to active strategic engagement. Boards take on a number of responsibilities, such as supervising leadership, sponsoring strategic plans and co-creating climate strategies with senior executives (KPMG, 2021). This involvement helps integrate climate risk within the finance, operations, and sustainability reporting departments. Boards should also strengthen governance mechanisms by forming sustainability committees, aligning executive incentives with climate targets, and embedding climate metrics in performance reviews. A major dimension of climate governance is board cognition: the way directors perceive and interpret climate-related risks. Effective oversight relies on directors' expertise and awareness, whereas a lack of

understanding can impede governance responses and delay the integration of climate risk management (Climate Governance Initiatives, 2025).

Both regulatory expectations and the pressures from the stakeholder base provide additional impetus for board leadership. Investors, regulators, and civil society around the world are demanding greater transparency in climate oversight, which requires boards to detail their plans and provide consistent disclosures (Harvard Law School Forum on Corporate Governance, 2022). This has wider implications for governance, as climate risk management is emerging as a core strategic responsibility rather than a peripheral sustainability concern. Within the banking sector, climate governance has been prioritised with direct implications for financial stability.

Banks face exposure through lending portfolios, investments and operational weaknesses. Consequently, the boards of banks must provide strategic leadership to integrate climate considerations into risk governance, credit assessment, and long-term planning. With governance structures that take climate risk seriously, risks are identified and mitigated within corporate systems. While this is an important focus worldwide, empirical evidence on how boards experience and operationalise climate risk management in their governance remains limited, and, specifically in developing countries, there is little empirical evidence on how boards experience and operationalise climate governance, particularly in less developed emerging economies.

The existing data is heavily biased to regulation and disclosure requirements, while little focus has been given to board experience and perception. The investigation of Board perspectives on climate risk in a governance context is therefore important so as to advance academic research and corporate governance practices. Though climate change is increasingly acknowledged as a substantial financial and governance risk, there are

notable gaps in how corporate boards interpret and operationalise climate risk management within governance structures.

Global programmes, such as the Task Force on Climate-Related Financial Disclosures, highlight the importance of boards embedding climate factors into strategic decision-making (Financial Stability Board, 2017). However, existing literature focuses heavily on regulatory frameworks, disclosure practices, and quantitative measures of risk, with little consideration of the cognitive and experiential processes that influence board practices (Eccles & Klimenko, 2019; World Economic Forum, 2019). In particular, there is limited knowledge regarding climate risk perceptions, how directors of banking institutions view climate risk, perceive its strategic repercussions, and lead the way in integrating risks within the organisational structure.

This study was anchored in the upper-echelons theory and the stewardship theory.

According to the upper echelons theory, organisational outcomes are mainly shaped by the experiences, perspectives, values and cognitive bases of those in leadership. Directors' expertise, experience, and perspectives on climate-related risks have direct implications for how these risks are identified and prioritized, shaping governance and strategic choices. This view underscores the relevance of board cognition in shaping organisational responses to climate uncertainties, and therefore to climate change risks. Stewardship theory, on the other hand, advocates the idea that corporate leaders are stewards whose interests lie in protecting the organisation in the long term by promoting value creation, rather than being motivated by myopic individual interests *(*Davis et al., 1997). Going by the two theories, the strategic role of corporate boards in mitigating climate-related risks is crucial.

METHODOLOGY

This study adopted a qualitative interpretivist research philosophy and a phenomenological design to explore how corporate boards at Kenyan financial institutions conceptualise and govern climate-related risks. Interpretivism posits that social realities are socially constructed (Creswell, 2009; Townsend et al., 2020), a perspective that is central to understanding governance practices. Board members' perspectives underlie the board's approach to governance. Phenomenology was chosen because it examines the essence of lived experience (Moustakas, 1994). Information was obtained using semi-structured interviews with chief executives, board members and senior managers of regulated commercial and microfinance banks. Purposive sampling enabled participation by those engaged in governance and risk oversight. Nineteen interviews were sufficient to achieve data saturation, per qualitative standards (Hinnink et al., 2022). Triangulation through review of documentary evidence from the Central Bank of Kenya, the Kenya Bankers Association, and international climate finance reports added credibility. Interviews, which lasted about 70 minutes, were audio-recorded with participant consent and supplemented by field notes.

A pilot study improved the interview guide. Member checking, involving three participants, was also conducted to validate the responses. To ensure methodological rigour, the study adhered to COREQ guidelines, which included maintaining an audit trail. The data were transcribed verbatim and thematically analysed using NVivo 12, in alignment with Braun and Clarke’s (2006) process of inductive coding, axial categorisation, and thematic synthesis. The research approval was obtained from the National Council for Science, Technology, and Innovation (NACOSTI; Ref. No. 302674), and the study adhered to the Kenya Data Protection Act (2019). Such a methodological

approach brought rich insights into board cognition and strategic leadership in climate risk governance within Kenyan financial institutions.

Reflexivity and researcher positionality

In keeping with an interpretive phenomenological framework, the researcher remained conscious of his role as a research instrument. As a PhD candidate with graduate study experience in project planning and management, disaster risk management, and enterprise risk management, and without any previous affiliations with any participating institution, the researcher maintained a good distance while maintaining credibility and trust with senior leadership and the board of directors. Attention was given to managing power relations through professional, respectful conduct and by making it clear that interviews were exploratory.

A semi-structured study guide enabled the researcher to ensure balanced interaction, with participants' voices taking centre stage. Reflexivity was consistently exercised through bracketing, in which the researcher's prior assumptions about the governance of climate risk were consciously set aside. Field notes captured reflections, documented impressions, repeated emphasis, and other non-verbal communication clues, which were critically analysed during the data analysis.

FINDINGS

The study targeted both commercial banks and microfinance institutions in Kenya regulated by the Central Bank of Kenya. Of the 53 banking institutions regulated by the Central Bank of Kenya, 19 participated. Among the 19 participating financial institutions, 11 were commercial banks, and eight were microfinance banks. Within the commercial banks category, four were large, four were medium, and three were small. For the microfinance banks, three were large, three were medium, while two were small. Of all

participants, 13 participated in face-to-face interviews, while the remaining participants participated virtually after providing verbal consent and signing the consent form.

All participants voluntarily consented to the interviews by signing the consent forms. They also gave consent to audio-record the conversation. Audio data were transcribed verbatim, with Kiswahili-language phrases translated into English and put in brackets to preserve the original contextual meaning. This ensured that linguistic nuances were preserved while making the data accessible for analysis. The use of verbatim transcriptions aligns with phenomenological principles that value participants' voices as the primary source of data, thereby providing rich, authentic insights into their experiences with climate-related risk management governance.

The analysis followed the thematic framework approach, consistent with the interpretive phenomenological methodology. Emerging patterns, meaning, and essences from the data are presented thematically and supported with direct participant quotations. This structure allows the study to highlight how Kenya's banking institutions perceive, manage, and integrate climate-related risks into their corporate strategies and governance frameworks.

The participants in this study were key informants, comprising Board Members, CEOs and senior-level officials serving in risk, governance, and compliance-related positions within their respective banking institutions. These include Chief Risk Officers (CROs), Risk and Compliance Officers (RCOs), Credit Risk Managers, Credit Analysts, Sustainability Managers, Enterprise Risk managers, and Franchise Governance Officers. The diversity of participants ensured that the study captured a broad range of experiences and perceptions regarding climate-related risk governance and its intersections with corporate governance performance.

The results were synthesised into about five themes as highlighted in the subsequent sections.

Board Cognition and Understanding of Climate-Related Risk Governance Framework

The first objective of the study was to explore the lived experiences of corporate boards regarding their understanding of climate-related risk management governance frameworks and how this understanding shapes corporate governance performance in Kenya's financial institutions. Analysis of the interview narratives revealed several interconnected themes reflecting how board members and senior executives interpret, internalise, and operationalise climate-related risk governance within their institutions.

Integration of Climate-Related Risk into Governance Structures

Participants described the integration of climate-related risk governance as an evolving organisational process in which boards progressively embedded climate considerations into policies, governance structures, and operational frameworks. This integration was often initiated through formal policy development processes that defined responsibilities, performance indicators, and institutional roadmaps for climate risk management. One participant explained that policy formulations played a foundational role in institutionalising climate governance:

"*We first of all create policy… the policy defines the subject matter, it defines our function, our role and responsibility… it then defines our plan, roadmap, resources, metrics and targets. This way we establish and legitimise the whole thing*." (LCB04)

Similarly, another participant explained that the development of policies allowed climate risk considerations to cascade across departments, ensuring institutional accountability and coordination:

"*We first create policy… it defines our roles, plan, roadmap, resources, metrics and targets… it is then embedded into departmental operations*." (CB09)

These accounts illustrate how boards experienced policy frameworks both as a compliance mechanism and as a structural paradigm of legitimising and operationalising climate governance across the institutions, in the spirit of stewardship.

Participants also described how climate -related risk has been incorporated into enterprise risk management and lending practices. One senior officer explained that environmental and social governance frameworks now guide lending decisions and risk assessments:

"*In our organisation, we have an approved ESG policy framework that hardwires climate into policy risk and lending… it helps us identify what the key environmental and social risks are, how we assess them and how we mitigate them*." (LCB03).

These narratives suggest that climate governance is increasingly embedded in core banking activities such as credit assessment and portfolio risk management. However, some institutions seemed to be in a storming phase, lacking proper frameworks for climate-related risk governance. One participant (SMFB01) insinuated that, being a new entity, there are many things they have yet to streamline. In response to the questions of integrating a climate-related risk governance framework into mainstream risk management, they said:

"*Yes, yes. We have no resistance whatsoever since it's a CBK requirement. We have no resistance in whatever way. So we would want to start, and everything is a step-by-step thing, and we shall be there*." (SMFB01)

From this participant's sentiment, it became evident that not all financial institutions are at the same level of integration of climate-related risks into their

governance frameworks. This emphasises the need to ensure that regulatory measures are more responsive to the context-specific diversity of financial institutions in Kenya.

Board Oversight and Accountability Mechanisms

Another key theme emerging from the data concerns strengthening board oversight mechanisms for climate-related risk management. Participants described how boards have become directly responsible for monitoring climate risk exposures, implementation progress, and compliance with regulatory expectations. One respondent explained that the governance structure relies on specialised committees and reporting lines that regularly communicate climate risk performance to the boards:

"*The bank, through the Board Risk Committee, Chief Risk Officers and ESG committee, reports directly to the board on implementation progress, challenges and opportunities. The board compiles its report and gives it to CBK… that is the first and second line of accountability*." (CB011)

Similarly, another participant emphasised that climate governance is reinforced through formal reporting and public disclosures:

"*Transparency and accountability, we publish detailed climate risk information in annual and sustainability reports, we align ourselves towards TCFD disclosure frameworks, and we regularly report CBK on climate risk exposures and management practices*." (MCB03).

Participants further noted that climate-related risks have become recurring agenda items in board meetings, reflecting their increasing strategic significance. One participant described how discussions occur during risk committee meetings:

"*The risk management committee of the board meets at least four times in a year… among the risks they want updates on is climate-related risk. We present the risks we are*

seeing, and our proposed mitigations, and then the board discusses and supports the response." (MCB01)

Another participant reflected on how these discussions involved performance monitoring and accountability:

"*There will be discussions about it… especially if they are not performing. Why are they not performing*?" (LMFB01)

These narratives illustrate that boards' oversight of climate-related risk is experienced as both a governance obligation and a reflective process involving performance and institutional learning.

Disclosure Frameworks and Risk Assessment Practices

Participants also described how financial institutions rely on established disclosure frameworks and risk modelling tools to assess climate-related risk. Many institutions are reporting that they are aligning their reporting practices with internationally recognised frameworks, such as the Task Force on Climate-related Financial Disclosures (TCFD). One participant explained how the adoption of international disclosure frameworks provided methodological guidance:

"*CBK's alignment with the Task Force on Climate-related Financial Disclosures gave us a very clear roadmap. Rather than inventing our own approach, we could follow internationally recognised best practices*." (LCB07)

At the operational level, climate-related risks were increasingly integrated into traditional credit risk models. A participant described how conventional financial risk models were adapted for this purpose:

"*We rely heavily on credit risk analysis… we use models such as Probability of Default, Loss Given Default and Exposure at Default to estimate potential losses*." (LCB02)

These findings suggest that financial institutions are reinterpreting existing financial risk frameworks to accommodate emerging climate-related exposures.

Organisational Structures Supporting Climate Risk Governance

Another significant theme concerned the development of organisational structures designed to facilitate climate-risk government. Participants explained that many institutions had established specialised governance bodies to coordinate climate-related initiatives. These structures typically included board risk committees, sustainability committees, and cross-functional working groups led by chief risk officers. These governance arrangements created a layered institutional architecture through which risk considerations could be embedded across organisational levels. The structural frameworks of climate-related risk governance implementations align with the Upper Echelons theory, which posits that organisational outcomes are partially predicted by the cognitive bases, values, and experiences of top decision-makers, suggesting that the way board members and committees perceive, experience, and interpret strategic issues significantly influences organisational strategic practices.

Participants described the chief risk officer's role as particularly central to coordinating climate-risk governance activities. Under this structure, climate-related risk working groups, composed of representatives from the risk management, corporate banking, compliance, and sustainability departments, collaborated to identify and monitor climate-related exposures. Some banks had ESG/Climate Risk champions. Such structures enabled institutions to integrate climate considerations into enterprise risk management processes while maintaining clear lines of accountability between operational teams and governing boards.

"*In our board of management, senior management led by our GMD and CEO, we have the chief risk officer who ensures that climate risk is integrated into enterprise risk*" (LCB03)

"*So for the board, we have the risk management committee of the board that now looks at support matters to do with climate-related concerns,…*". (MCB01)

"*In terms of governance, we have a credit risk committee, a credit committee, that is a board committee, …*" (LMFB02)

"*We also have an ESG champions committee and this cross-functional committee that ensures that we have embedded credit liquidity…*" (LCB03)

"*We also have what we call Climate Risk Champions across different departments - credit, operations, and branches…*". (MCB03)

Influence of Regulatory Frameworks

The findings indicate that regulatory guidance played a decisive role in shaping how banks interpret and operationalise climate-risk governance. Participants consistently identified the climate-risk management guidelines issues by the Central Bank of Kenya as a key catalyst prompting isomorphic institutional reforms

"CBK is a regulator, and the moment it has issued a regulation, our work is to move with speed. …" (MCB02)

"*…you see, all banks, and also for our bank, our governance frameworks are informed by two things. There are now the laws, the regulations and then there is the law and the regulations... So you have to respect what the law talks about. That is from the statutory perspective. So statutory aspects will affect our governance because that is the law of the land. Then now we have regulatory where also CBK is the regulator of banking. So all these KGFT by CBK, the IFRS, S1 and S2…*" (MCB01)

Participants explained that the issuance of regulatory directives requires institutions to review and realign internal policies, risk appetite framework, and reporting procedures. As a result, many institutions revised their enterprise risk management framework to incorporate climate-related risk considerations. These regulations also directly influenced how institutions defined their risk appetite and capital allocation strategies.

"*The CBK's guidelines have become a major reference point in how we define and calibrate our risk appetite, especially when it comes to environmental and climate-related exposures… Another area where the CBK guidance has shaped our risk appetite is in capital allocation and portfolio diversification. The guidelines pushed us to re-evaluate how we price and provision for high-risk sectors that are vulnerable to climate shocks."* (LCB04).

"*Of course, that usually becomes the benchmark or rather the guideline, so we always borrow from the risk management guidelines of the CBK on the responsibilities of the board of directors and on the responsibilities of a member of senior management and on the responsibilities of the internal audit department, which are the parties provided for in the risk management guidelines*". (MMFB03)

Participants explained that climate-related risks are increasingly incorporated into portfolio diversification decisions, loan appraisal processes and sectoral exposure limits.

"*All right. One is influencing our decision-making. Of course, we have to regard the pronouncements by regulation...*" (MCB01)

In this sense, regulatory frameworks were perceived not merely as compliance requirements but as institutional signals encouraging financial institutions to broaden their government perspectives to include environmentally sustainable considerations.

Challenges of Integrating Climate Risk Governance

Despite these institutional developments, participants reported several challenges in integrating climate-related risk governance. One of the most frequently encountered challenges for the participants was the availability of reliable climate data. Participants explained that climate risk assessment requires extensive environmental datasets and analytical models that are not readily available in the Kenyan context.

"We're trying to make risk decisions that require precision, but the data isn't always there, or it's expensive to get." (MCB03)

Additionally, participants reported capacity constraints within institutions. Many risk management professionals were trained primarily in traditional financial risk domains such as credit, market, and operational risk, and therefore required additional training to effectively analyse climate-related risks in the current operating context.

*"... We don't have, and even we have, even if we have them in the market, affordability is very high. As I tell you, as I talk to you today, the one we have in the market is very expensive... Because the models, the modelling, the climate change-related modelling tools are very expensive…The other bit is the cost of these climate change-related monitoring tools..." (*LMFB02*).*

Participants also mentioned regulatory ambiguity as a challenge. Although regulatory guidelines exist, participants indicated that some performance indicators and quantitative thresholds remain insufficiently defined, creating uncertainty regarding implementation expectations

"I think the main challenge is that most us do not know the quantitative aspects of the guidelines. Like for example, there are quantitative thresholds targeted at the global levels, for instance, the ND-GAIN Country Index (The Notre Dame Global Initiative),

where climate-related risk exposure is scored on a scale of 1-100. There is also the…..the…..Global Climate Risk Index (CRI) is a Germanwatch report that measures the number of climate-related deaths and economic losses as a percentage of GDP. We have the INFORM Climate Change Risk Index. There are many more like vulnerability and Adaptation metrics such as adaptive capacity index, sensitivity index, exposure index, environmental vulnerability index (measured on a scale of 1-7) etc. These are things that CBK has not comprehensively customised and defined for the financial sector. So partly many of us are in limbo". (MCB02).

These challenges collectively illustrate that while climate-risk governance structures are emerging within Kenyan financial institutions, their operationalisation remains a dynamic and evolving process.

Role of Strategic Leadership in Climate-related Risk Governance

Participants indicate that leadership commitment plays a critical role in legitimising climate-risk governance within an organisation. Leadership support was perceived as present by the Board's allocation of resources for training, data acquisition, and analytical tools necessary for climate risk assessment. Several participants emphasised that leadership commitment signals organisational seriousness regarding climate-risk governance. Employees interpreted investment in staff training, modelling tools, and environmental risk analysis as evidence that climate-related risks were becoming institutional priorities.

"*The third way, and I think this is the most powerful, is through resource allocation, governance structures and "I would say there is a positive correlation. See, when you have resources, it means they are going to be dedicated and push the agenda of climate-related risks. So the more you allocate the resources, both financial and also human resources, the better for you to realise your objectives"* (MCB01)

Participation in Industry Forums

Another mechanism through which leadership demonstrated its commitment was its participation in industry platforms and sustainability initiatives. Participants reported that board members and senior executives frequently engage in sectoral forums organised by banking associations and regulatory bodies. These forums enable institutions to exchange knowledge, learn emerging practices, and publicly demonstrate their commitment to sustainable finance initiatives.

"*They also engage externally through forums and industry platforms. Board members and senior executives speak at conferences, KBA working groups, and policy dialogues, where they articulate our climate-risk strategy*". (SCB03)

Participants described these engagements as both learning platforms and reputational signals, enabling banks to communicate their climate-risk strategies to regulators, investors and industry peers.

Leadership Communications and Strategic Alignment

Participants also highlighted the role of leadership communication in aligning organisational activities with climate-risk governance objectives. Regular board discussions, strategic reviews, and policy briefings enabled leadership to disseminate climate-risk priorities across organisational levels. Participants described communications as a relational process through which leadership signals expectations, coordinates organisational responses, and reinforces institutional commitment to climate-risk governance.

"…Any time when a new member is oriented specifically on those areas, on how to support the bank in mitigating against those related risks, then we are able to even find value and quality in the loans that we are able to disburse…" (MFB02)

Where leadership engagement was perceived as strong and informed, communication was experienced as coherent and credible. Conversely, where leadership understanding was limited, participants described communications as fragmented and less effective.

Policy Support and Resource Allocations

Leadership involvement in policy development and resource allocation emerged as another critical dimension of strategic leadership. Participants explained that board approval of climate-risk policies provided formal mandates for operational teams to implement climate-related initiatives. Resource allocation decisions, particularly investments in training, analytical tools, and sustainability reporting, were perceived as tangible indicators of leadership commitment.

"*The third way, and I think this is the most powerful, is through resource allocation, governance structures and other support…When staff see that resources are being directed there, it communicates commitment far more strongly than any memo*". (MCB03)

These findings suggest that strategic leadership not only influences the formal governance structures of c climate-risk management but also shapes organisational culture and institutional readiness for managing emerging environmental risks.

FINDINGS AND DISCUSSION

The study adds to the literature on climate risk governance by exploring how corporate boards of banking institutions in Kenya perceive, make sense and internalise climate risk management. The results reveal that boards are increasingly recognising climate risks as an important aspect of enterprise risk management, with climate and risk management incorporated into governance and disclosure frameworks and risk assessment models. This aligns with global research on the institutionalisation of climate governance

within financial institutions (Campiglio et al., 2018; Brunetti et al., 2021). This study further explored how such integration is cognitively mediated by boards in an emerging economy.

Guided by Upper Echelons Theory (Hambrick & Mason, 1984), this study's findings suggest that the board's lived experiences, perceptions, and cognition strongly influence how banking institutions perceive and allocate necessary resources to mitigate climate risks as a strategic priority. Some of the challenges perceived as facing banks in Kenya with respect to climate risk mitigation included internal institutional constraints, unclear and overlapping regulatory frameworks, a lack of reliable data infrastructure, and human capacity needs. The regulatory frameworks proved to be major determinants of institutional responses to climate risk management and the reframing of institutions' strategy. Participants cited policies from the Central Bank of Kenya as a catalyst for reforming internal policies, reorganising governance risk committees, and strengthening disclosure processes. This is consistent with global empirical evidence indicating that regulatory interventions accelerate climate governance reforms (Bolton et al., 2020).

However, there were notable differences among the institutions: while climate-risk management was adopted by the majority of participating banking institutions, it was not in place at others, suggesting that context-tailored regulatory interventions are still needed. Large and medium banking institutions were observed to be far ahead in climate risk mitigation compared to small banking institutions. Additionally, participants described difficulties accessing climate data and analytical expertise, which may reflect structural constraints common in emerging economies (Volz et al., 2021). Strategic leadership was cited as one of the key enablers of effective climate risk governance. Resources allocated for training, data gathering, and sustainability initiatives were perceived as leadership commitments to climate risk management. This aligns with previous studies highlighting

that proactive leadership drives the climate governance agenda (Amel-Zadeh & Serafeim, 2018; Krueger et al., 2020). Participants viewed leadership not just as administrative authority but also as a symbolic power that bolsters the adoption of key initiatives such as climate governance. The strategic board investments, whether in policies that signalled board commitment or in analytical capacity, also communicated to management staff that climate risk management is a key priority in the banking institutions. Last but not least, the results indicate that climate risk governance has gained board-level awareness and is undergoing an institutional transition. Boards expressed a shift from short-term financial views to a focus on long-term sustainability and systemic risk awareness, with greater sensitivity to long-term risks. This shift is driven by the understanding that climate risks are systemic financial risks that impact asset values, credit exposures, and institutional resilience.

From the perspective of interpretive phenomenology, climate governance is a process of sense-making in which boards reconstruct normative and emerging practices in the face of perceived environmental uncertainty. Therefore, the study indicates that climate-risk governance is not simply a technical or regulatory task; it is an important cognitive and interpretational exercise situated within the lived experiences of board members. By situating board perceptions within the institutional context of reframing climate risk governance as a strategic response to uncertainties arising from climate change in an emerging economy, these findings align with conventional climate risk governance practices in financial settings of mature economies.

CONCLUSION

This research investigated how corporate boards in Kenyan banking institutions understand and interpret climate risk governance, and how their lived experiences manifest in their governance practices. The results show that climate risk governance is

gradually embedded into enterprise risk management through the policy framework, board oversight mechanisms, disclosure practices and institutional risk assessment models. These regulatory directives, especially those from the Central Bank of Kenya, have catalysed the formalisation of climate-risk governance systems among financial institutions. The study also finds that the performance of effective climate risk management is heavily influenced by board cognition and strategic leadership.

Boards are now framing climate-related risks not so much as compliance obligations but rather emerging systemic risks that must be addressed through long-term strategic planning and governance adaptation. At the same time, financial institutions are constrained by contextual factors such as limited data on climate change, limited capacity for analysis, and evolving regulatory requirements. Taken together, the results indicate ongoing change in climate-risk governance in Kenya's banking system. The institution-level governance process is evolving and involves a cognitive, interpretive process in which Board Members draw on their lived experiences, reframe and make sense of traditional and emerging governance practices to address the intricacies of financial risks arising from climate change.

RECOMMENDATIONS

To support informed decision-making, financial institutions need to reinforce board-level climate-risk governance through capacity building, the development of climate-risk data systems, and the development of analytical modelling capabilities. Regulators and industry associations need to enforce clear frameworks for implementing actions and establish collective platforms that promote knowledge sharing, technical assistance, and system interoperability among banks. Banking Institutions should be deliberate in including Board members knowledgeable in climate risk management to strengthen their Risk and Compliance Committees.

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Appendix I: COREQ

Item No.	Domain	Description	Response
1	Personal characteristics	Interviewer/facilitator	A trained research assistant conducted interviews
2	Personal characteristics	Credentials	Researcher holds a Bachelor's degree; trained in qualitative research methods
3	Personal characteristics	Occupation	Researcher: Research Consultant; RA: Trained Research Assistant
4	Personal characteristics	Gender	Researcher: Male
5	Personal characteristics	Experience and training	Both the researcher and the RA are trained in qualitative data collection and analysis
6	Relationship with participants	Relationship established	No prior relationship with participants
7	Relationship with participants	Participant's knowledge of the interviewer	Participants were informed about the study's purpose, roles, and the researcher's identity

8	Relationship with participants	Interviewer characteristics	Neutral stance maintained; reflexivity ensured through audit trail and supervision
9	Theoretical framework	Methodological orientation	Phenomenology (interpretivist approach)
10	Participant selection	Sampling	Purposive sampling
11	Participant selection	Method of approach	Email, physical letters, and phone follow-ups
12	Participant selection	Sample size	19 participants
13	Participant selection	Non-participation	Some institutions declined or did not respond
14	Setting	Setting of data collection	Offices and online platforms
15	Setting	Presence of non-participants	No non-participants present
16	Setting	Description of sample	Board members and senior officials in banking institutions
17	Data collection	Interview guide	Semi-structured interview guide used
18	Data collection	Repeat interviews	No repeat interviews were conducted

19	Data collection	Audio/visual recording	Audio recordings used
20	Data collection	Field notes	Field notes were taken alongside recordings
21	Data collection	Duration	Approximately 60 minutes per interview
22	Data collection	Data saturation	Achieved at 19 participants
23	Data collection	Transcripts returned	Member checking conducted; participants validated data
24	Data analysis	Number of coders	Two coders (Researcher and Research Assistant)
25	Data analysis	Description of coding tree	Codebook developed and themes derived systematically
26	Data analysis	Derivation of themes	Themes derived inductively from data
27	Data analysis	Software	NVivo 12 used for coding and analysis
28	Data analysis	Participant checking	Member checking conducted
29	Reporting	Quotations presented	Verbatim quotations used to support findings

30	Reporting	Data and findings consistent	Findings aligned with participant narratives
31	Reporting	Clarity of major themes	Major themes are clearly presented
32	Reporting	Clarity of minor themes	Minor themes and variations are described