

# ESG Awareness in Eurasia

Survey

PwC Kazakhstan Edition  
*1 July 2024*



# Introduction



**Natalya Lim**

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I am pleased to introduce the findings of PwC Eurasia\* ESG Awareness survey, encompassing Kazakhstan, Azerbaijan, Mongolia, and Uzbekistan. This series of reports, tailored for each respective country, aims to contribute to the global dialogue on ESG agenda and offer valuable regional insights into the current state of ESG integration among businesses.

While the survey results vary across the countries, we have observed a notable trend over the past three years: a growing number of companies are beginning to embrace ESG practices. This shift is largely driven by pressure from various stakeholders, as well as by companies' own initiatives.

According to our survey, more than a half of participating companies have either established a robust ESG management system or are in the process of integrating distinct environmental and social policies into a cohesive framework.

Furthermore, companies are actively enhancing their sustainability reporting efforts, with many either publishing standalone ESG reports or incorporating ESG considerations into their annual reports.

However, despite these positive developments, companies have identified several challenges on their ESG journey: a lack of expertise, budgetary constraints, and legal and regulatory concerns. To overcome these challenges and further advance their ESG initiatives, companies express the need for regulatory support, financial assistance and technical expertise.

Kazakhstan has been leading in many ESG awareness indicators, driven by regulatory efforts and stakeholder expectations. Many companies are aiming to pioneer ESG practices in their respective industries, which is essential if Kazakhstan is to reach its Sustainable Development Goals. Still, consistent with overall trends in the countries we reviewed as part of our research, companies are facing needs for technical and financial assistance in the face of rapid regulatory developments.

I extend my sincere gratitude to all those who participated in this survey. I trust that the findings presented in this report will serve as a valuable resource for businesses, policymakers, and other stakeholders striving to foster sustainable practices and corporate governance standards in Kazakhstan and Azerbaijan, Mongolia, Uzbekistan.

Sincerely yours,  
Natalya Lim

# Agenda

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# Executive summary

Recognizing the critical role that ESG plays in long-term business sustainability, this report provides an in-depth analysis of ESG awareness and integration within businesses across the four selected countries.

Based on our findings, a growing relevance of ESG agenda in the region can be noticed. Regulators use similar instruments to promote local ESG integration, which include: Nationally Determined Contribution commitments (all countries), strategies on economy transformation (Kazakhstan, Azerbaijan, Uzbekistan), green taxonomies (Kazakhstan, Mongolia), introduction of mandatory ESG reporting for specific industries (Kazakhstan, Mongolia) and others. Consequently, companies in the region are generally aware of the relevance of ESG factors with the 67%-97% being at least familiar with key ESG trends, and 85%-100% believing that these trends will remain pertinent in the region in the foreseeable future. Generally, businesses report feeling significant pressure from stakeholders to integrate ESG principles. Only 8% of companies in Uzbekistan and 6% in Mongolia reported that they have no plans at all on implementing ESG agenda.

The results have also shown that corresponding countries show a trend for direct involvement of leadership to handle ESG issues, instead of creating separate internal corporate structures. On average, 61% and 42% of companies reported Board and Top Management respectively to be primarily responsible for ESG agenda in the company. While it can signify a profound approach toward ESG integration, it also hinders the operational implementation of initiatives.

Our findings demonstrate that the main discrepancies across the surveyed countries are evident in the maturity of ESG practice. The range of companies, which have at least high-level ESG strategies varies from 21% to 62%, while the portion of companies, which have discrete ESG management system or separate environmental

and social policies varies from 50% to 80%. This can be explained by the different starting points time-wise: for example, in Kazakhstan, 45% of companies started their ESG journey more than 3 years ago, while companies in other countries demonstrate more recent involvement in ESG integration.

Our evidence suggests that companies across the region show a convergence in their selection of focus ESG topics, indicating shared priorities and challenges. According to the respondents, key regional environmental issues include energy consumption, climate change, and waste management. However, there appears a gap between recognizing climate risks and implementing consistent actions to mitigate them: 67%-95% take the climate risks impacts into consideration, but 24%-42% companies have not taken any action so far.

Employment practices, health and safety standards, and education and training emerge as critical social factors, while diversity and inclusion, one of the biggest social pillars is only outlined by 23% companies, on average. Compliance, ethics and business conduct, along with management of ESG issues and risks, are central to the governance agenda of our respondents. But important topics like board diversity and shareholder rights were both chosen only by 8% of companies, on average. There is currently still a stronger emphasis on enhancing financial performance (chosen by the majority of companies in all countries) and less focus on ESG-related topics.

Eventually, our findings indicate an increased recognition of the ESG agenda across the countries, supported by regulatory measures and high corporate awareness. However, discrepancies in ESG strategy maturity and actual implementation suggest a gap between intention and action.

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# Overview and methodology



# Overview and methodology

## ► What we analyzed

The ESG Awareness in Eurasia\* survey, prepared by PwC Eurasia, is an important addition to the discussion of Environmental, Social, and Governance (ESG) practices in the region. This survey is a part of PwC Eurasia broader research initiatives aimed at exploring various aspects of ESG topics and their impact on businesses.

With a focus on [Kazakhstan](#), [Azerbaijan](#), [Mongolia](#), and [Uzbekistan](#), this series of reports, tailored for each respective country, endeavors to provide a comprehensive analysis of the level of understanding and implementation of ESG principles among the largest companies in the region. The corresponding reports can be accessed via the links provided above.

The current report is dedicated to Kazakhstan, with the research results presented within this report encompassing the following key sections:

- Current ESG trends in Kazakhstan
- Organizational progress in ESG
- Organizational implementation of ESG
- ESG reporting and strategy trends

## ► How we analyzed

The research was conducted between November 2023 and January 2024 via an online survey to collect data from the largest companies across Kazakhstan, Azerbaijan, Mongolia, and Uzbekistan. The selection of these companies was based on their market capitalization, revenue, and overall size of the company within their respective industries.

Companies were approached either directly or, in case of Kazakhstan, Azerbaijan and Uzbekistan, in collaboration with The American Chamber of Commerce, thereby enhancing the breadth and depth of our data collection efforts. We express our sincere gratitude to all those who facilitated and participated in this survey.

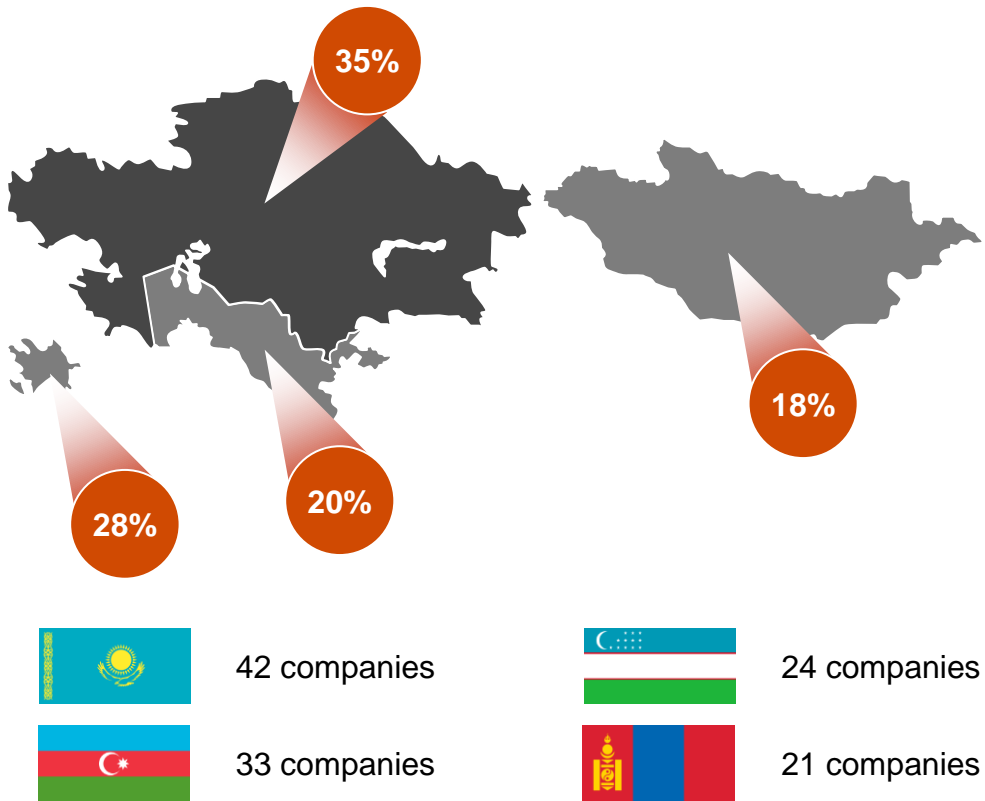
The study collected insights into the current state of ESG agenda from the 120 largest companies across 4 territories mentioned above. The study analyzed data for 2023. Detailed respondent overview can be found on p. 7.

\* - Eurasia region in PwC is represented by Central Asian countries, Caucasus (Azerbaijan, Georgia and Armenia) and Mongolia. In this report the term 'Eurasia' specifically refers to the four countries included in the study: Azerbaijan, Kazakhstan, Mongolia and Uzbekistan.

# Brief overview of survey participants in corresponding countries

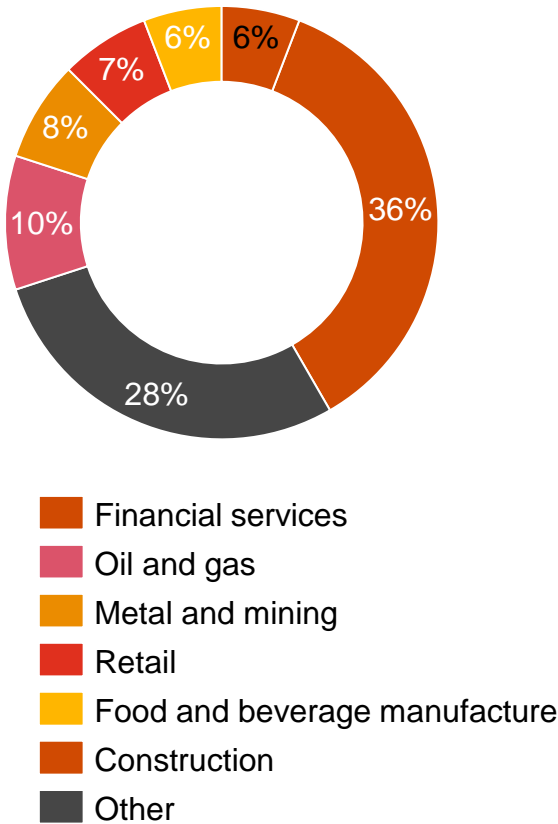
The survey included a diverse pool of respondents totaling 120 companies. Kazakhstan had the highest representation with 42 companies, followed by Azerbaijan with 33 companies, Uzbekistan with 24 companies and Mongolia with 21 companies.

Location breakdown

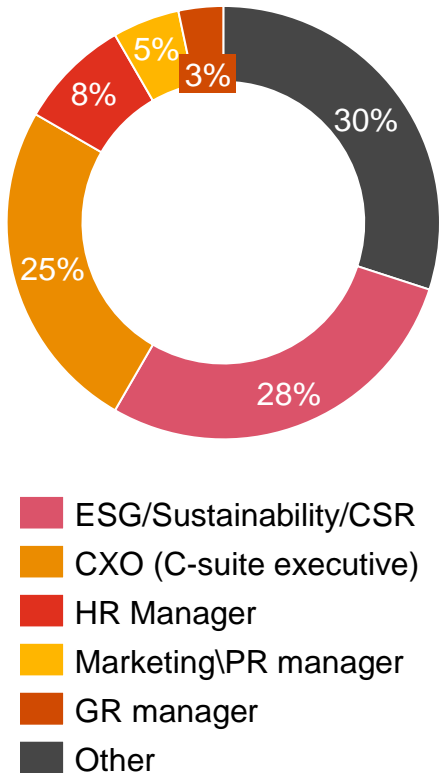


These companies spanned across more than 10 industries, with notable representation from sectors such as financial services, oil and gas, metal and mining, retail, and construction.

Industry classification



Role of participant



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# ESG Agenda in Kazakhstan



# Systematic and comprehensive regulatory developments in Kazakhstan have allowed to advance sustainable development agenda across industries

## Strategy on Achieving Carbon Neutrality

On 2 February 2023, the President of Kazakhstan approved the resultant Strategy for achieving **carbon neutrality by 2060**. Its goal is aligned with the **Paris agreement**, which Kazakhstan ratified in 2016.

The medium-term goal is to reduce GHG emissions by **15% by 2030** (1990 levels), or by **25% in case international support is received**.

**Key strategic areas include:**



**Energy** - shift towards more sustainable energy sources



**Manufacturing** - the use of alternative building materials, waste recycling, introduction of new production technologies



**Agriculture** - sustainable agriculture and livestock management, sustainable forest management and reforestation



**Waste management** - elimination of open dumping and reduction of landfill waste disposal



**Green financing** – improvement of the regulatory and institutional framework, development of innovative tools and standards

## New Environmental Code

In January 2021, the Republic of Kazakhstan adopted a **New Environmental Code**. Work on the Code was carried out over several years resulting in a consolidated package of strategic norms in a document based on best international practice.

**Some of the features of the Code include:**

- The Code adopted the **“polluter pays” principle**. This implies steps to prevent and control pollution, as well as responsibility for restoring the damage caused to the environment.
- The Code introduced a **definition of polluters and their classification into categories** depending on the level of their hazardous impact.
- It is expected that operators of new facilities that have received **complex environmental permits** and implemented **best available techniques** will be exempted from emission payments.
- Under the new Code, activities that have a significant impact on the environment shall be subject to the obligatory **environmental impact assessment**
- The Code introduces a new **waste classification** that corresponds to the European catalogue. It aims at phased and circular waste management.

## Green Taxonomy

In 2021, the government adopted the **Taxonomy of Green Projects** to be Financed with Green Bonds and Green Loans, and updated it in 2024.

It serves as a **nationally tailored classification** of activities, project categories and assets eligible for **green finance**, in particular for green bonds and green loans issuance.

**The Taxonomy includes 8 green project categories:**



**Renewable Energy**



**Energy Efficiency**



**Green Buildings**



**Pollution Prevention and Control**



**Sustainable Water and Waste Use**



**Sustainable Agriculture**



**Clean Transportation**

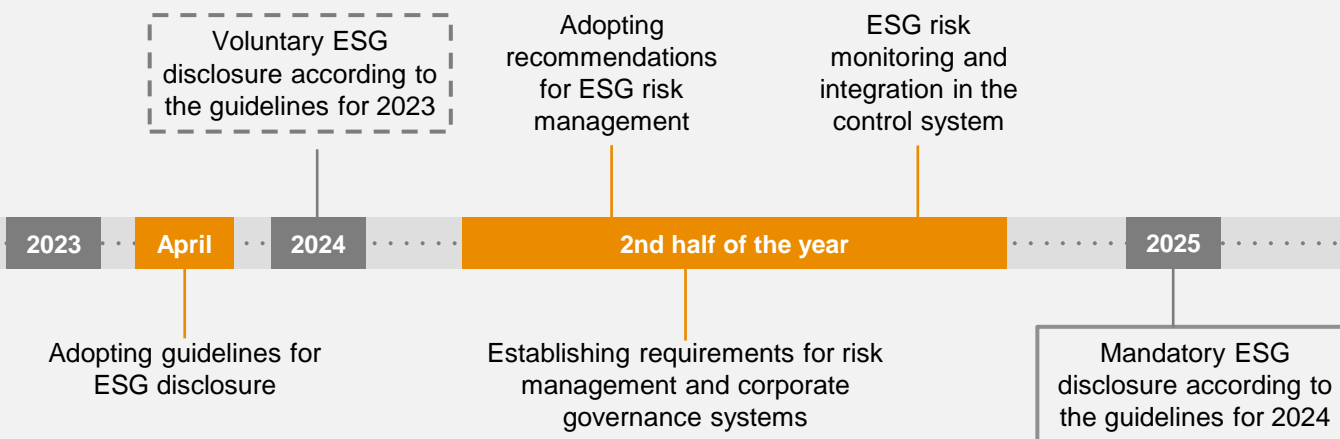


**Transition Energy**

# Kazakhstan's financial sector is currently at the forefront of regulatory changes, most recently mandating ESG disclosures starting from 2024 reporting year

- In Kazakhstan, **financial sector** gained special attention as a driver of progress in adoption of ESG practices by companies
- To ensure the accessibility and improve quality of ESG information in the financial markets, The Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market issued the **guidelines for ESG reporting**.

- Released in 2023, ESG reporting guidelines are voluntary for 2023 reporting year, while for 2024 reporting year they **become mandatory**.
- The Agency also plans to release **Guidance on Environmental and Social Risk Management**.



## ESG Disclosure Guide for Banks and other Financial Institutions includes:

### Material ESG issues disclosure

- The concept of “dual and dynamic materiality”, materiality assessment
- Material ESG issues

### ESG Management disclosure

- Strategy, long-term goals and objectives, KPIs
- ESG risk identification process, ESG risk management, key ESG risks

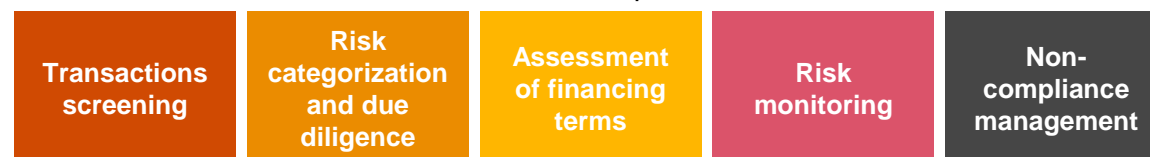
### Corporate Governance disclosure

- Commitment of the Board of Directors (BoD) to ESG principles, role of the BoD
- Internal control system, internal and external audit, compliance
- Shareholder rights, stakeholder engagement

## Environmental and Social Risk Management (ESRM) Guide

- The Guide was designed for financial institutions to integrate environmental, social and climate risk assessment into their credit risk management process.
- The ESRM Guide provides the legal framework for financial institutions to establish an environmental and social risk management system, its integration into the overall risk management system, and develop procedures for assessing ESRM in loan and investment portfolios.

### Environmental and Social Risk assessment procedure includes:



# To foster the transformation of economy, Kazakhstan adopted the Concept for the Transition to a Green Economy, setting specific goals across various directions

• In 2013, Kazakhstan adopted the Concept for transition of the Republic of Kazakhstan to a Green Economy. The concept currently remains in force, with updates dating June 10, 2024, and sets the following **long-term goals within prioritized areas by 2050:**

## Power sector

- 50% Share of RES in total electricity generation
- 80% Reduce electricity generation based on coal combustion, or support with Carbon capture and storage technologies

## Waste management

- 100% Share of solid waste landfills that meet environmental and sanitary standards
- 100% Providing the population with services for the collection and disposal of municipal waste
- 60% Share of recycling and disposal of municipal and industrial waste


## Formation of ecological culture of the society and business

- 100% Share of TOP 50 companies publishing ESG reports on sustainable use of resources
- 20% Share of public representatives in basin water management councils

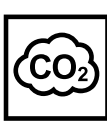
## Green financing

- 20.5% Share of “green” loans in the banking sector portfolio
- 8% Share of “green” bonds in the structure of the official stock exchange list


## Water resources

-  • The area of irrigated land with water-saving technologies - 2,300 thousand ha
- Treatment of anthropogenic wastewater - 100%
- The share of reservoirs with good quality surface waters - 70%

## Reducing air pollution

-  • Reducing the statutory emissions of particulate matter from TOP-50 enterprises by 35% from the 2022 level.
- Average annual concentration of PM2.5 particles - 0.0103 mg/m3
- Absence of residential areas with high levels of air pollution

## Agriculture

-  • 2.5 ton/ha wheat yields
- Increased labor productivity in agriculture
- 300 thousand ha of agricultural land for the production of organic products

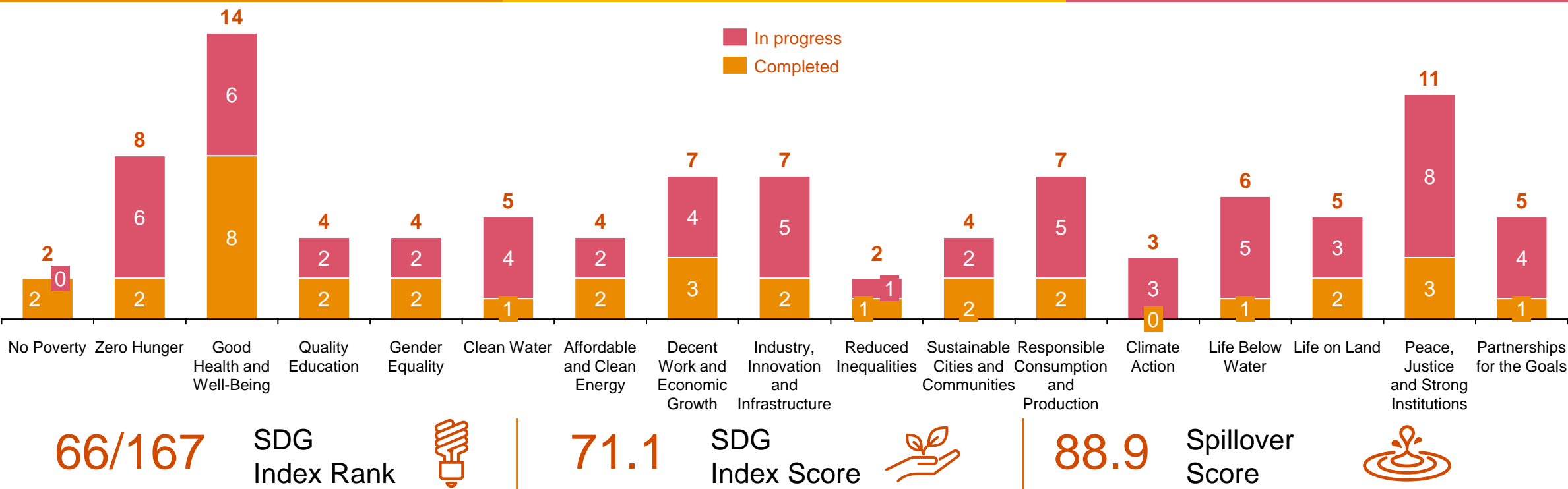
## Energy conservation and energy efficiency improvement

- 35% Reduction of energy intensity per unit of GDP from 2021 levels

## Conservation and effective management of ecosystems

- 17.5% Share of protected natural areas, % of the country's territory

# Kazakhstan aligns with the UN Sustainable Development Goals and demonstrates a committed approach to sustainability via various progressive regulations



Kazakhstan adopted several state documents to **support SDG achievement**. Some of them include:

- The Law on Ratification of the Paris Agreement
- New Environmental Code
- Green Taxonomy
- Strategy on Achieving Carbon Neutrality
- The Water Code
- Updated National Contribution of the Republic of Kazakhstan to Global Climate Response
- Concept for the Development of the Fuel and Energy Sector until 2030
- Strategies Kazakhstan-2030 and Kazakhstan-2050
- The Concept of family and gender policies in the Republic of Kazakhstan until 2030
- The Concept for transition of the Republic of Kazakhstan to Green Economy

Source: UN Sustainable Development Report  
ESG Awareness: Kazakhstan  
PwC

**Note:** the graph demonstrates the status of SDG indicators (as defined by the UN) by each SDG as of June 2024

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## Detailed overview of the survey results



# Kazakhstani respondents profile

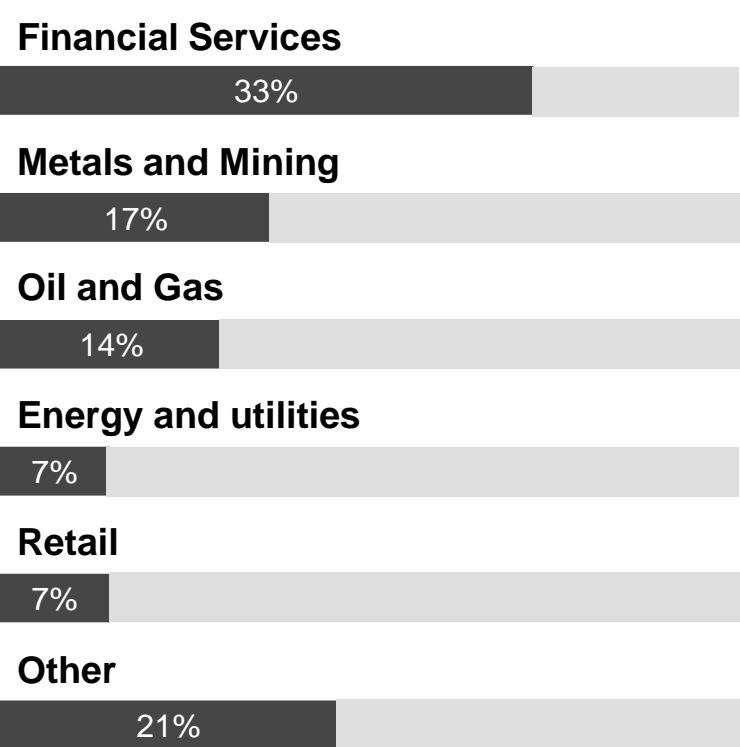
A total of 42 companies participated in the survey from Kazakhstan, with a significant majority (70%) representing large enterprises with 250+ employees. Notably, the survey included participation from 9 international companies, reflecting their global presence.

Additionally, 9 companies headquartered in Kazakhstan were found to operate across multiple territories. The respondents mainly represented financial services, metals and mining, and oil and gas industries, reflecting the economic landscape of the region.

## Role of participant



## Industry classification



## Company size, number of employees

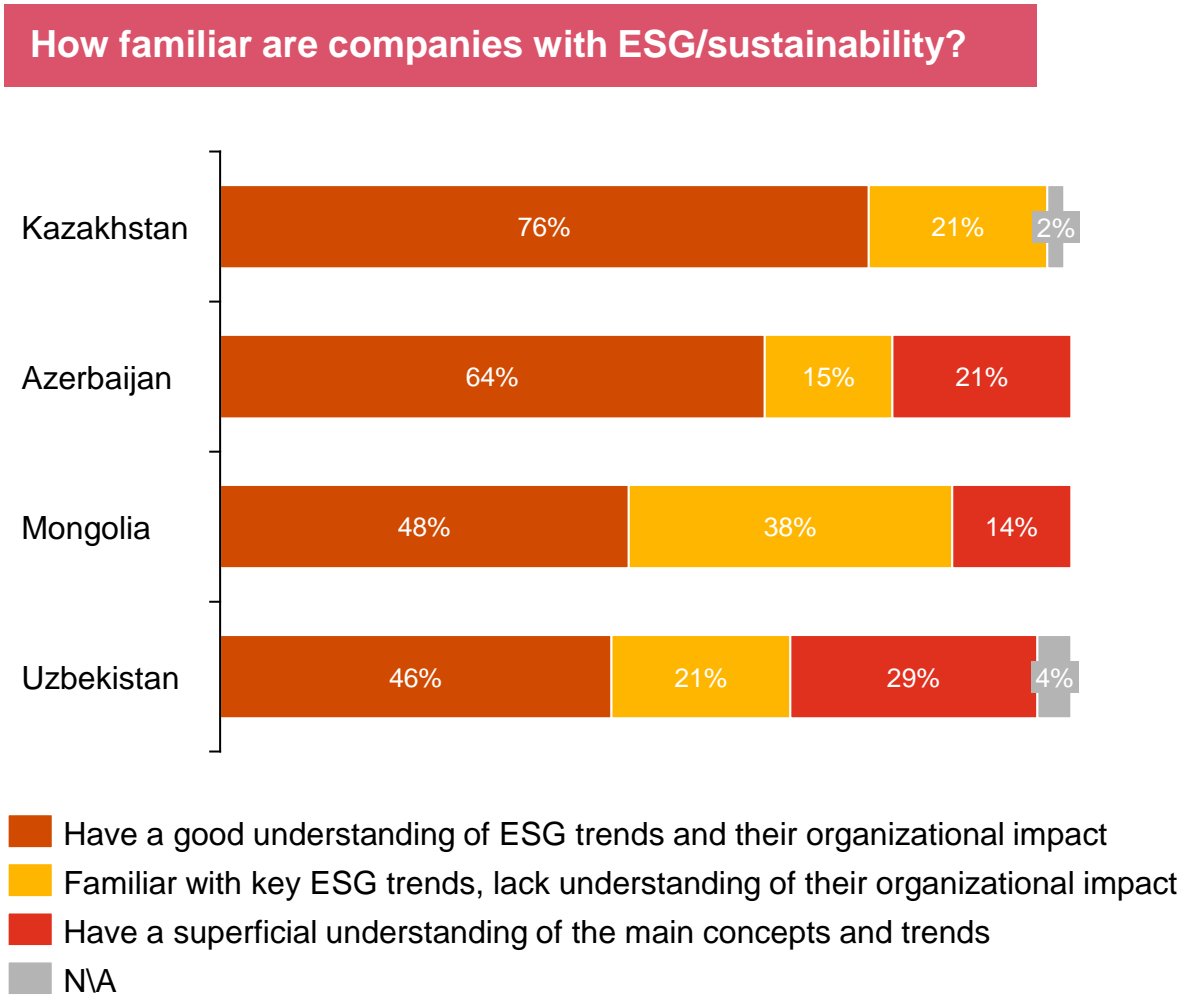


# 3.1

## ESG implementation trends



# 1. Understanding business familiarity with ESG



The survey results show that awareness of and familiarity with ESG vary a lot among countries. While a notable portion of companies demonstrates a good understanding of global and country-specific sustainability trends and how they affect their industries and businesses, a considerable proportion still lacks comprehensive knowledge.

In Kazakhstan and Azerbaijan, the majority of surveyed companies demonstrate a strong understanding of ESG trends and their organizational impact. However, in Mongolia and Uzbekistan, more than half of the surveyed companies display only a superficial understanding of key ESG trends, lacking insight into their industry's future implications.

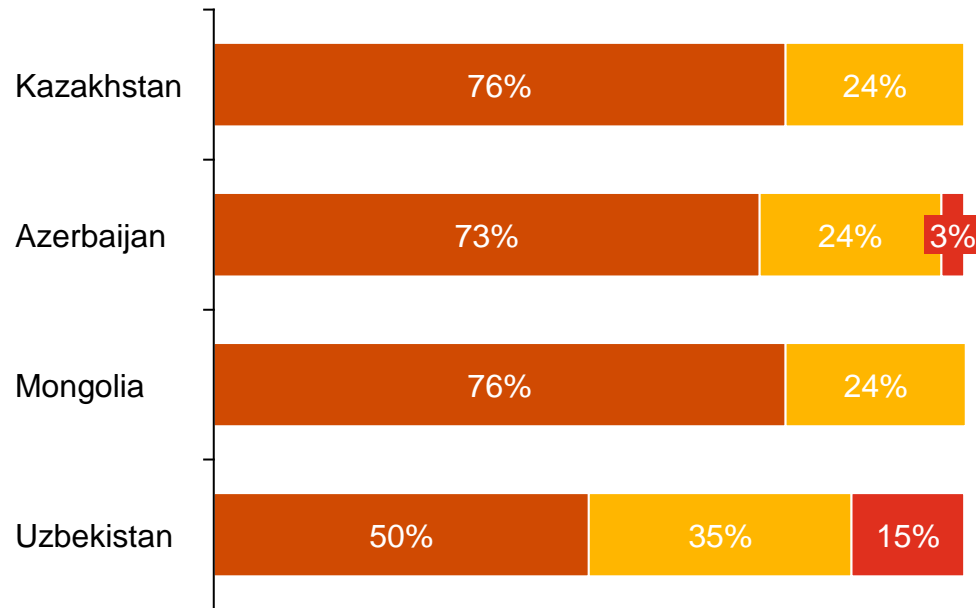
Kazakhstani companies stand out for their well-developed awareness of ESG concepts, perhaps owing to the country's active efforts in sustainability strategy development over the past decade. Initiatives such as the Strategy on Achieving Carbon Neutrality have played a significant role in integrating sustainability into the national agenda, fostering widespread adoption of ESG principles across businesses and industries.

## 2. ESG impact on national economies: Assessing relevance

Do companies think that the ESG agenda will be relevant for the country in the next three years?

Level of impact ESG agenda is expected to have on the country

Significant Moderate No impact



As ESG considerations continue to gain prominence globally, their impact on economies and businesses has become increasingly apparent. Companies' perceptions of the relevance of the ESG agenda for their country over the next three years can thus provide valuable insights.

Companies in Kazakhstan, Azerbaijan, and Mongolia share a similar perception, with over 70% of them anticipating a significant impact from the ESG agenda on their economies, industries, and businesses. About 20% foresee a moderate impact, indicating a need for some adjustments in response to ESG agenda but not significant changes to the regular company activities. This acknowledgment is driving companies to integrate ESG considerations into their long-term strategic planning, reflecting their commitment to sustainability.

However, survey results from Uzbekistan reveal a different perspective, with 50% anticipating a significant impact, 35% foreseeing a moderate impact, and 15% believing that the ESG agenda will not lead to real changes in the economy or their business in the next three years, suggesting it can be ignored for the near future. This skepticism regarding ESG may reflect the novelty of ESG-related regulations and limited understanding of core ESG principles, indicating a need for more ESG awareness raising efforts.

# 3. Exploring the influence of ESG trends on business

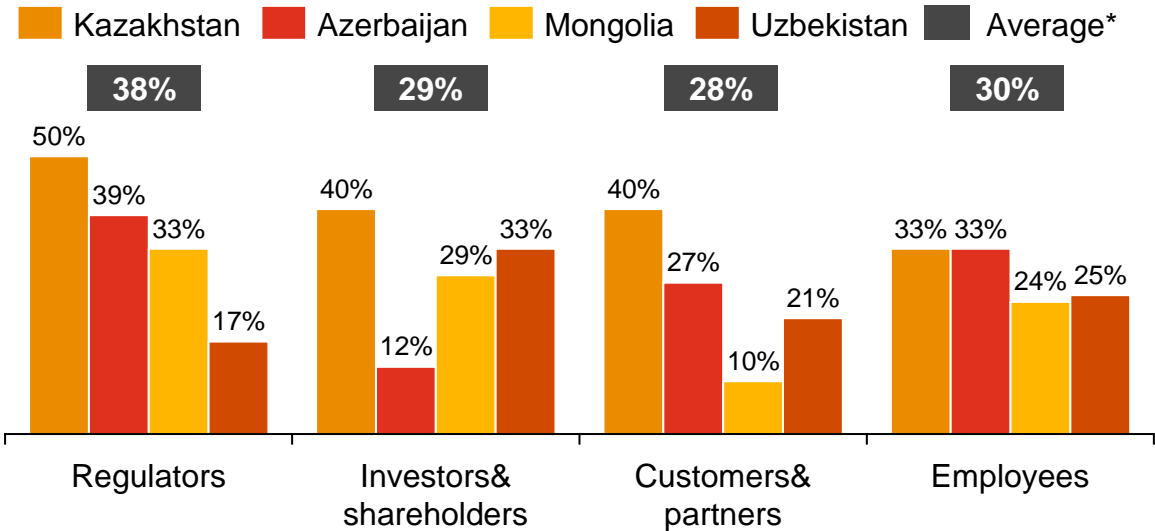
## Do companies feel the growing influence of ESG trends on their activities?

As more companies recognize the growing impact of ESG trends on their business activities, this section aims to explore factors shaping their perceptions of the ESG agenda.

Approx. half of the companies in Kazakhstan, Azerbaijan, and Mongolia reveal increasing exposure to ESG risks, compared to only 29% of companies in Uzbekistan. When it comes to external pressures, the survey highlights significant differences among the surveyed countries, with regulatory requirements being the primary factor, followed by pressure from employees, investors, shareholders, and business customers and partners.

60%	of KZ companies see the company's growing exposure to ESG risks (incl. Climate change risks) AZ: 45%, MN: 52%, UZ: 29%
24%	of KZ companies say that they implement ESG agenda as their voluntary contribution AZ: 33%, MN: 29%, UZ: 42%
0%	of companies say that they still don't plan to implement ESG agenda AZ: 0%, MN: 6%, UZ: 8%

## Stakeholder groups promoting ESG agenda

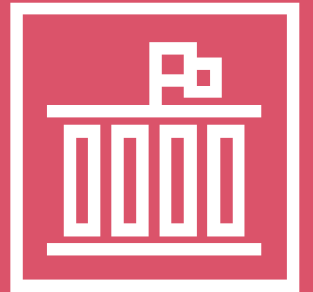


Alignment with stakeholders' expectations on this issue seems to be important for companies to comply with the legislation, gain access to capital as well as win customer trust.

Notably, 24% of surveyed Kazakhstani companies indicated that they don't feel any external pressure, but implement ESG trends as their voluntary contribution.

# 3.2

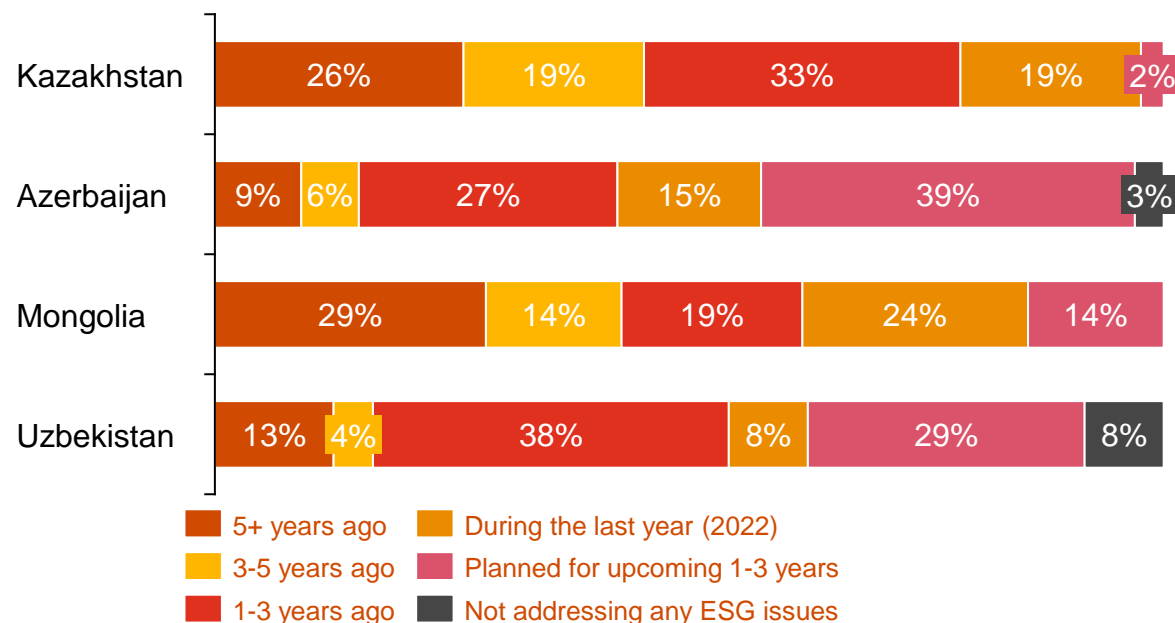
## Organizational progress in ESG



# 4. ESG adoption timeline

## When did companies start ESG?

% of companies that started ESG activities in a particular period



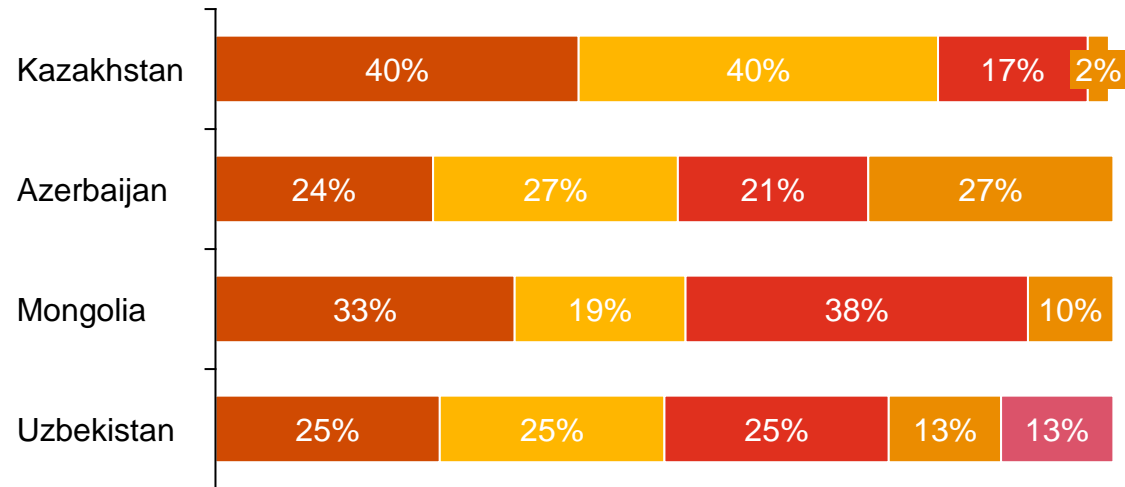
The timeline of ESG adoption among companies provides a helpful perspective into the evolution of sustainability practices within the business landscape. Understanding when companies began their ESG activities offers insights into the pace of sustainability integration and the shifting priorities of businesses over time.

In Kazakhstan, 45% of companies embarked on ESG initiatives more than three years ago, indicating a relatively early adoption of sustainable practices. In contrast, the majority of companies in Azerbaijan, Uzbekistan, and Mongolia embarked on their ESG activities within the past one to three years, corresponding with the period of more active regulatory developments and spread of ESG agenda on the national level.

Notably, early adopters in Kazakhstan and Azerbaijan came from industries such as metal and mining, oil and gas, energy, and food and beverage production, while the financial services industry led the adoption of ESG practices in Uzbekistan and Mongolia.

# 5. ESG Management Practices

## What is organization progress in managing ESG issues?



- A well established ESG management system (policies, procedures, systems)
- A number of separate environmental and social policies
- Early stage of policies and procedures development
- Not addressing ESG, researching the topic
- Not planning to address ESG

As we see, companies are increasingly integrating ESG considerations into their operations. However, the organizational progress in addressing and managing ESG issues varies across the countries.

In Kazakhstan, a significant majority of surveyed companies, totaling 80%, have either established a well-defined ESG management system or are actively implementing various, albeit somewhat disconnected, environmental and social policies. In contrast, only ~50% of companies surveyed in Azerbaijan, Uzbekistan, and Mongolia have made similar progress in ESG management.

Companies in Kazakhstan, for example, aspire not only to meet regulatory and stakeholder obligations but also to pioneer ESG practices within their industries, fostering knowledge sharing and collaboration. For example, around 70 companies from Kazakhstan, including the leaders of local economy, have joined the UN Global Compact, which is the highest number of the initiative participants in the region. UN Global Compact is the world's largest corporate sustainability initiative.

# 6. ESG initiatives development and management

## Who is primarily responsible for overseeing and development of ESG initiatives across the firm?

	KZ	AZ	MN	UZ	Eurasia
Leadership (Board)	52%	55%	33%	13%	42%
Leadership (Management)	69%	64%	57%	46%	61%
HR Manager	24%	9%	19%	17%	18%
CSR Manager	21%	9%	24%	8%	16%
Environmental manager	24%	33%	24%	13%	24%
Marketing/PR manager	21%	12%	14%	8%	15%
ESG committee	29%	3%	19%	8%	16%
ESG focused project management officer	10%	6%	10%	13%	9%
Sustainability department	31%	12%	19%	17%	21%
Designated ESG employee	24%	9%	29%	25%	21%
External consultants	14%	9%	5%	21%	13%
No one. We are preparing an existing employee or hiring someone to fill this role		9%	5%	17%	7%

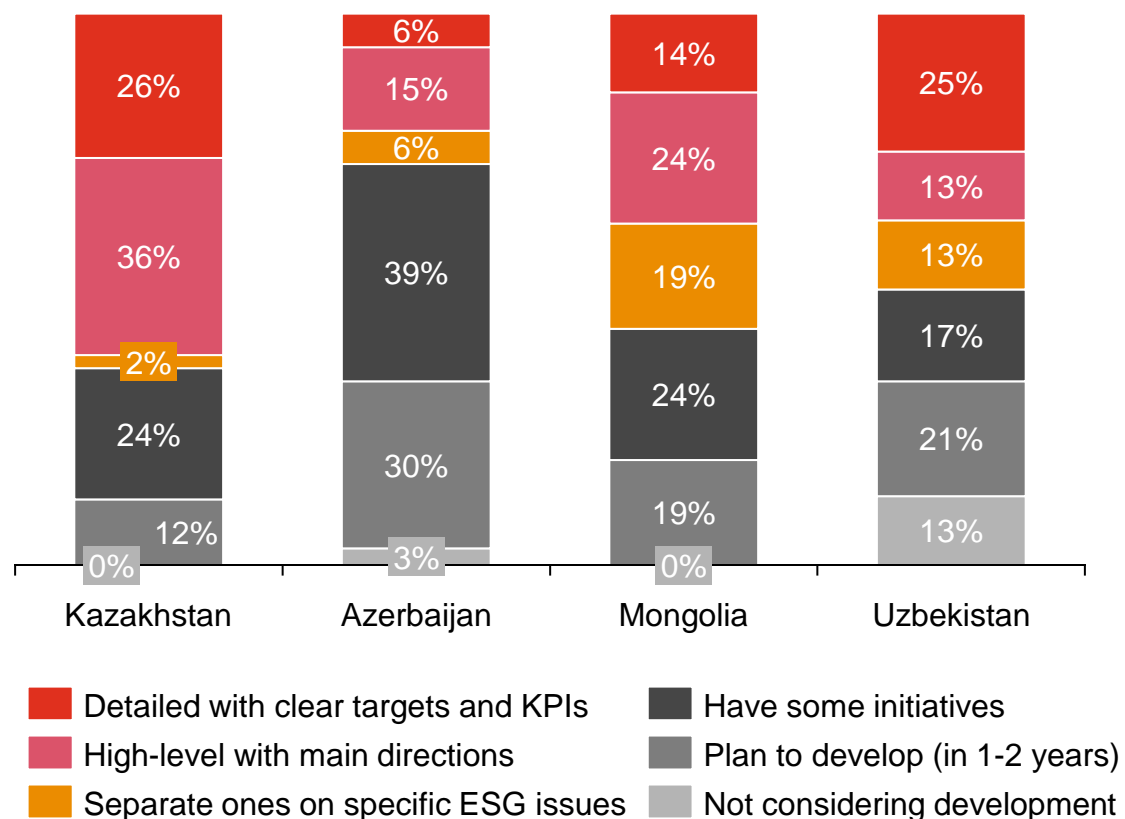
The implementation of ESG management systems or separate environmental and social policies highlights the necessity of having someone, either a designated individual or department, accountable for overseeing and driving these initiatives.

Our survey reveals that in most cases, this responsibility falls on leadership, including the Board of Directors and management. Such a heavy leadership involvement in ESG stewardship indicates that sustainability considerations are integrated into the company's strategic planning and decision-making processes, reflecting a commitment to long-term vision and objectives.

However, the survey also indicates that fewer companies have separate ESG bodies, such as committees, departments, or dedicated employees, which is considered the best practice among global leaders. Without such structures, lack of focused expertise, resources and oversight can potentially result in inconsistent practices and goals across different areas of the business.

# 7. ESG Strategy

## Do companies have an approved ESG strategy?



As companies advance in ESG implementation, the importance of having an approved ESG strategy has become indispensable for organizational success as an indicator of a company's maturity. It recognizes the importance of sustainable practices and demonstrates commitment to integrating ESG principles deeply within the business operations and decision-making processes.

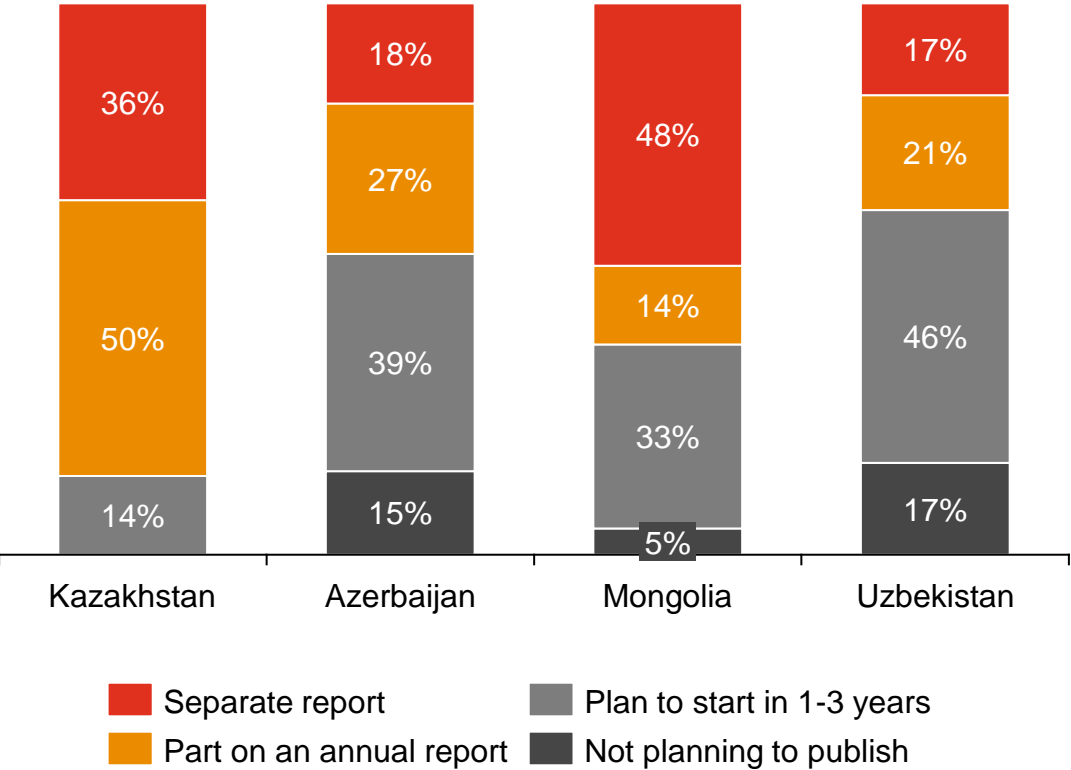
The survey results revealed varying rate of ESG strategy adoption among the companies in the region. The findings show that over 50% of surveyed companies in Kazakhstan, Uzbekistan, and Mongolia have implemented ESG strategies, but with varying degree of complexity. Less companies developed detailed targets and KPIs, however it is a crucial part of successful strategy implementation. These findings align with the [PwC Kazakhstan Annual ESG Disclosure Rating](#) findings, where we assess ESG/CSR/Sustainability reports of Kazakhstani companies: only 34% of the top reports have outlined targets and KPIs, highlighting ongoing challenges for many companies.

In contrast, Azerbaijan presents a different scenario, with only 27% of companies reporting having ESG strategies in place.

It's worth noting that the presence of a strategy doesn't correlate with the industry of operation.

# 8. ESG Reporting

Do companies publish an external ESG/CSR/Sustainability report or a designated section in an annual reports?



As ESG considerations continue to shape corporate landscapes, the importance of transparent reporting on these matters has become increasingly evident.

Notably, findings reveal that in Kazakhstan and Mongolia, over 60% of surveyed companies publish either a separate ESG report or have a designated section in their annual report dedicated to ESG matters. This is likely to be related to the introduction of the guidelines by the regulatory bodies that include either voluntary or mandatory comprehensive ESG reporting and set specific disclosure requirements. In contrast, in Azerbaijan and Uzbekistan, only around 40% of companies are engaging in such reporting practices. The remaining companies in these regions plan to start reporting within the next 1-3 years or are not planning to publish such reports at all.

It's worth noting that companies in Kazakhstan are making significant efforts to enhance the quality of sustainability-linked reporting. According to [the PwC Kazakhstan Annual ESG Disclosure Rating](#), the average score for the quality of the top 50 ESG reports increased from 4.6 out of 10 for the 2019 reporting year to 7.4 for the 2022 reporting year. This improvement underscores the commitment of Kazakhstani companies to transparency and accountability in their ESG reporting practices.

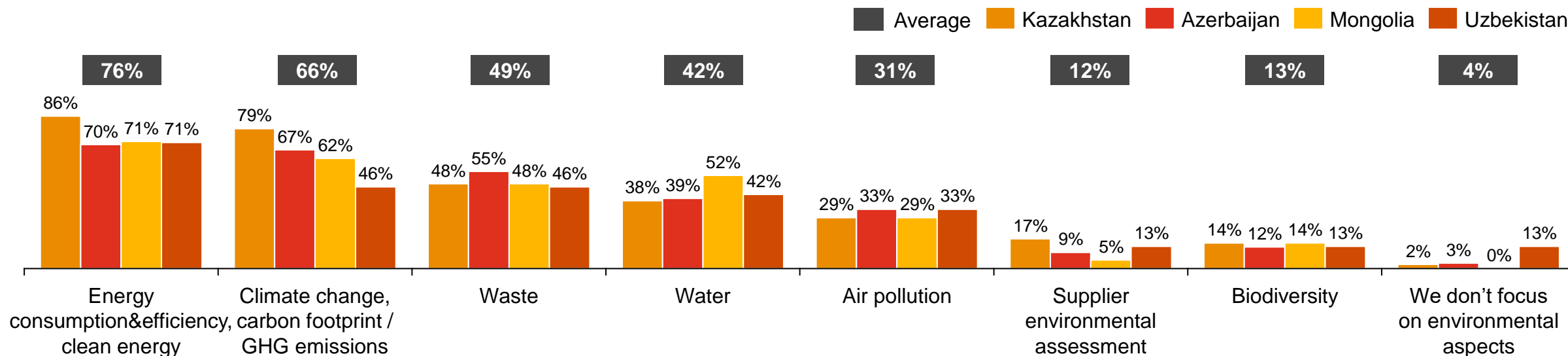
# 3.3

## Top focus areas in ESG implementation



# 9. ESG aspects of primary focus area: Environmental

Which environmental aspects are your primary focus area?



As the environmental crisis worsens, the energy consumption topic, as the most widely discussed issue out of ESG agenda, not surprisingly, emerges as the top concern across all four countries. More than 70% of the surveyed companies identified it as the focus issue.

Along with the energy consumption issues, Kazakhstan and Azerbaijan are also prioritizing issues related to climate change, which is most likely due to the structure of the economy and dependence on natural resources.

Out of the companies surveyed, 79% in Kazakhstan and 67% in Azerbaijan, respectively, consider the climate topic to be the second most significant in the

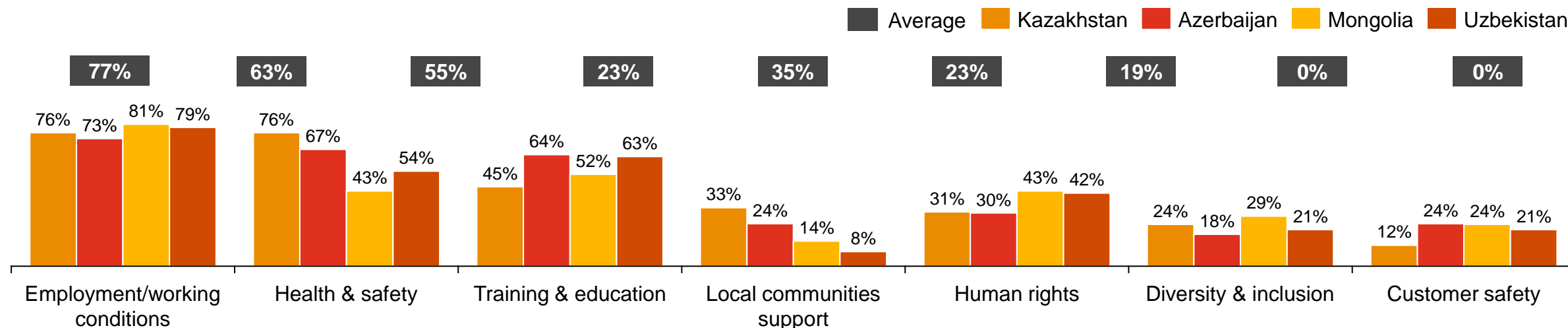
implementation of their ESG agenda.

In Kazakhstan, for example, state-owned enterprises like Development Bank of Kazakhstan, Qazaqstan Investment Corporation and Damu Fund already invested more than 130 billion tenge to support projects in the field of renewable and green energy.

Companies in all four countries also highlight issues related to waste management, water resources and air pollution, reflecting a commitment to manage their own environmental impact and adopt sustainable practices in business operations.

# 9. ESG aspects of primary focus area: Social

Which social aspects are your primary focus area?



The social dimension pertains to the people-related elements of a business or organization, focusing on company culture and issues of human capital. These facets are critical as they reflect the societal impact and ethical standards of a company, which are increasingly influencing investment decisions and consumer behavior.

In our survey, employment conditions, health & safety, and training & education emerged as the universal focal points within the social pillar, underscoring their significance in creating a robust and sustainable workforce.

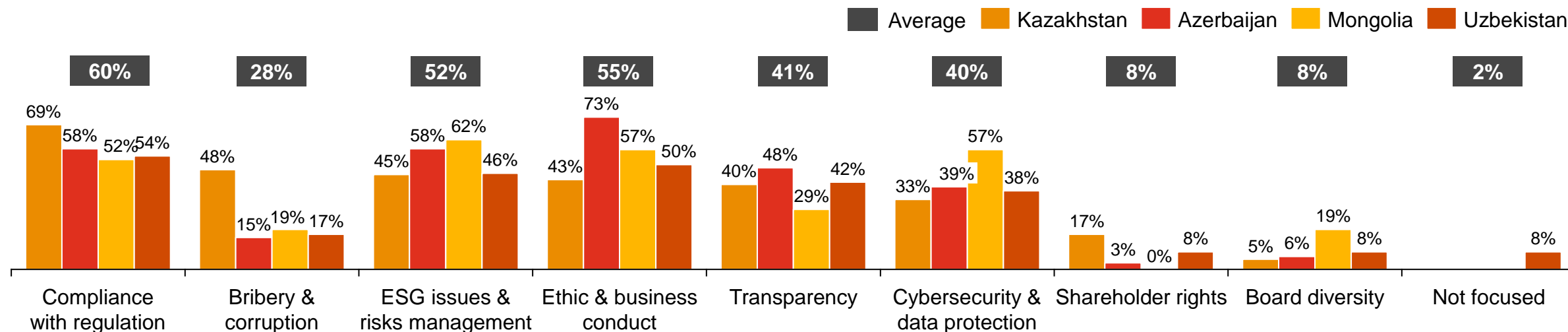
However, there was a notable divergence in the emphasis placed on support for local communities, with 33% of Kazakhstani companies acknowledging its importance compared to a 14% in Mongolia and 8% in Uzbekistan. This

discrepancy could be attributed to the different priorities in economic development, societal expectations, and regulatory landscapes in these countries.

Companies seem to have little acknowledgment of important social topics like diversity and inclusion, customer safety, and none of the companies have mentioned supply chain assessment as a priority issue. However, countries worldwide are implementing increasingly stringent regulations on these issues exemplified by initiatives such as the EU Corporate Sustainability Due Diligence Directive, and Kazakhstan is expected to align with this sustainability trend eventually.

# 9. ESG aspects of primary focus area: Governance

Which governance aspects are your primary focus area?



Corporate governance plays a pivotal role in sustainable business practices, encompassing a broad array of policies and procedures that ensure a company operates within legal and ethical standards and maintains accountability to its stakeholders.

In our survey, compliance, ESG & risk management, and business conduct have been unanimously recognized as top priorities. These areas are vital for building a resilient and trustworthy corporate infrastructure.

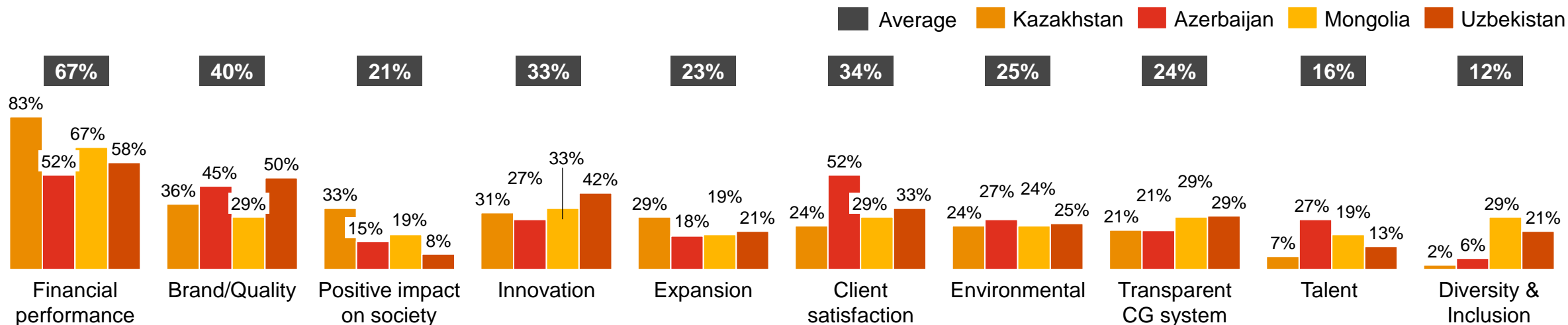
Conversely, there is a marked variance in the attention paid to bribery and corruption. While 48% of Kazakhstani companies are tuned into this issue, the figures drop significantly for Mongolia, Uzbekistan, and Azerbaijan. Such

disparities, in general, may reflect regulatory differences and might need further exploration.

While businesses across countries generally understand key governance concerns, they often overlook the critical areas of shareholder rights and board diversity. These aspects are not only consistently factored into ESG ratings criteria and reporting guidelines, but are also crucial for company's both general and sustainability-related performance. For example, the IFC research on women in corporate leadership in Kazakhstan revealed that companies with female board members tend to have better financial outcomes.\*

# 10. Top Management priorities

What are the top management's top 3 priorities?



Amidst the increasing focus on ESG aspects within companies, our survey delved into the top management priorities.

Financial performance, Brand/Quality, Client satisfaction, and Innovation were identified as the primary concerns. Notably, in Kazakhstan, financial performance emerged as a key priority for companies, leading by a wide margin compared to other factors, with 83% of respondents selecting it.

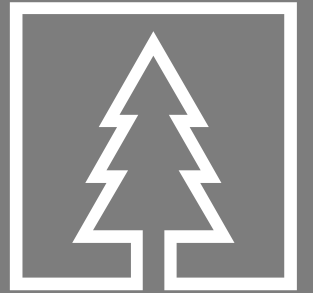
Interestingly, factors related to positive impact, environmental concerns,

transparency in governance, diversity, and other ESG issues were less prioritized.

Yet, according to a study by MSCI, it's observed globally that firms with strong ESG practices tend to outperform financially as well. Moreover, failing to effectively manage ESG aspects can introduce numerous risks, potentially culminating in financial downturns for businesses that neglect these critical areas.

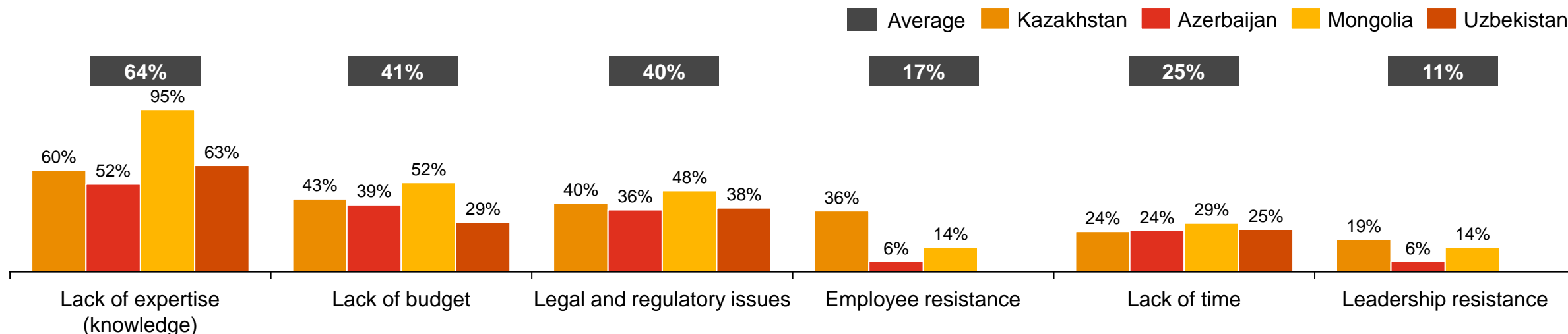
# 3.4

## Organizational Implementation of ESG



# 11. ESG agenda implementation challenges

What challenges have companies faced when implementing ESG initiatives/projects/programs?



Navigating the complexities of ESG agenda implementation presents significant challenges for companies globally, and the companies in our survey were not an exception. Lack of expertise, limited budget, and legal and regulatory issues emerge as the top 3 challenges encountered by organizations.

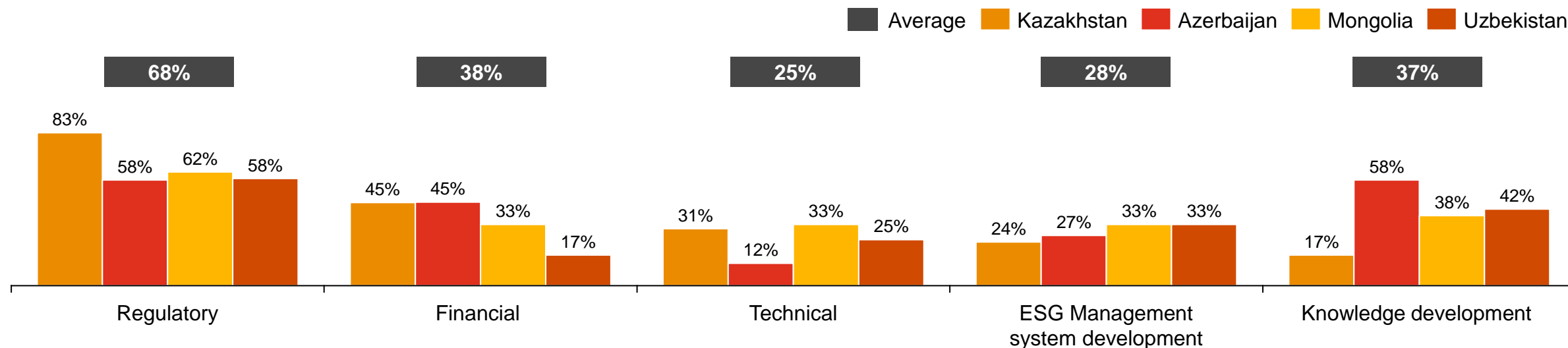
Despite ESG being actively promoted, many organizations, even globally, have only a basic understanding of sustainability concepts and struggle with the specific steps for successful integration. Budget constraints are recognized as a challenge as many companies perceive ESG integration as an additional cost rather than an intrinsic part of financial performance.

Moreover, the rapidly evolving regulatory landscape adds to the ambiguity, with legal compliance becoming a pressing concern.

Notably, a higher proportion of companies in Kazakhstan face employee resistance, with 36% encountering this challenge compared to an average of 10% in other countries. This discrepancy could be attributed to ongoing regulatory developments coupled with insufficient internal communication within organizations and between organizations and stakeholders. Addressing these communication gaps through improved internal and external communication channels is recommended to enhance ESG integration efforts.

# 12. Support needed for ESG implementation

What kind of support, based on companies opinion, will facilitate the implementation of an ESG strategy?



Our survey also investigated the types of support needed to address challenges identified earlier.

Regulatory and financial backing emerge as top priorities, highlighting the crucial role of government policies and financial incentives in advancing ESG initiatives. While initial steps, such as introduction of sustainability disclosures, show promise, achieving broader sustainable development goals demands substantial financial investment. For instance, Kazakhstan's aim to achieve carbon neutrality by 2060 is estimated to require over \$600 billion in funding, according to government projections,

and involvement of private sector as well as public-private partnership in general becomes crucial for achieving prioritized sustainability goals.

Additionally, technical assistance, ESG management system development, and knowledge enhancement support are identified as key needs. Azerbaijan particularly emphasizes the importance of knowledge development, with 58% of companies expressing this requirement.

The survey results can serve as a strategic guide for governments to identify key areas of support to facilitate the adoption of ESG practices among businesses.

3.5

Climate change



# 13. Climate change risks affect on business (1/2)

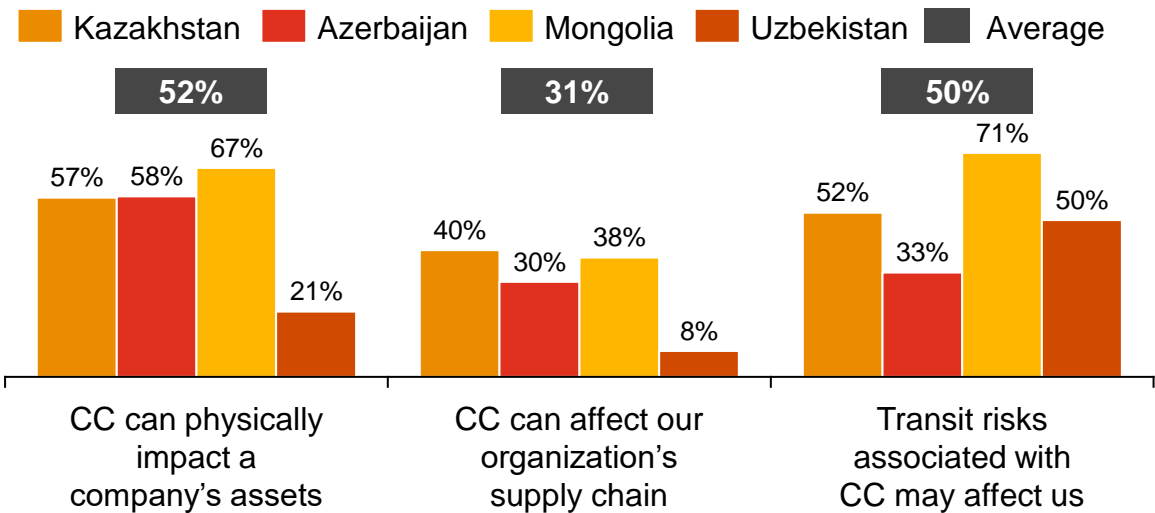
## Do companies think the risks associated with climate change will affect them?

Despite climate risks assessment being one of the most complicated issues in ESG integration and disclosure, the majority of surveyed companies have been taking into account climate change impacts and risks. Companies differentiate between physical and transitional risks, and some also recognize the importance of assessing risks within their supply chains, albeit to a lesser extent.

The survey findings reveal notable disparities across the surveyed countries: in Kazakhstan, Azerbaijan, and Mongolia, 50%+ of respondents believe that climate change can physically impact a company's assets, while over 30% express concerns about its effects on organizational supply chains. Conversely, companies in Uzbekistan appear to perceive themselves as less susceptible to climate risk impacts, with only 21% and 8% expressing concerns about potential asset and supply chain impacts, respectively.

5%	of KZ companies state that <b>climate risks have already affected</b> their assets or supply chain AZ: 15%, MN: 38%, UZ: 8%
17%	of companies say that they <b>have not assessed climate risks</b> AZ: 15%, MN: 5%, UZ: 33%

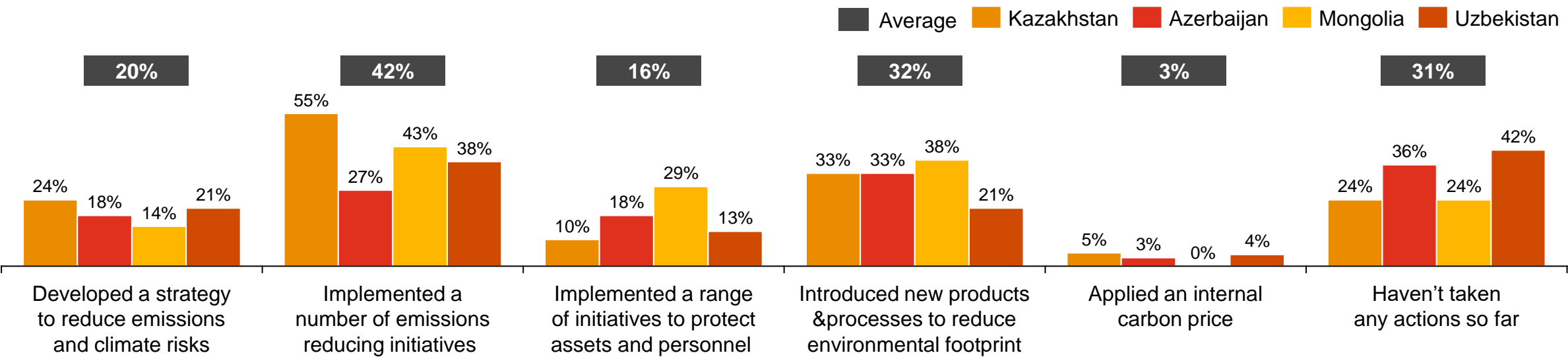
## Climate Change (CC) affect on company operations



Notably, in Kazakhstan, the majority of companies (95%) do not seem to experience any effect of climate risks on their assets or supply chain currently, which might possibly be related to the long-term nature of climate change effects, and needs to be investigated further. However, the risks associated with climate change are becoming increasingly pertinent and subject to regulation in Kazakhstan. With the forthcoming adoption of guidelines on Environmental and Social Risk Management for the financial sector by The Agency for Regulation and Development of the Financial Market, climate change and its associated risks will undoubtedly gain greater prominence.

# 13. Climate change risks affect on business (2/2)

Is the organization taking any action to mitigate the risks associated with climate change?



As businesses confront the increasing impact of climate change on their operations, the discussion around actions taken to mitigate associated risks becomes more relevant. As it was mentioned before, the majority of the companies across countries have been already taking climate risks into account, but there appears to be a lack of systematic actions aimed at mitigating these risks.

The results reveal a mixed landscape: while a larger proportion of surveyed companies is taking steps to reduce emissions and minimize their environmental impact, only 20% have developed strategies

specifically aimed at reducing emissions and addressing climate risks. However, having a clear strategy with key material issues identified is critical for an effective action plan and efficient resource allocation. It's also worth noting that a notable portion of companies, including 24% in Kazakhstan and Mongolia, as well as 36% in Azerbaijan and 42% in Uzbekistan, have yet to take any action in response to climate change risks, highlighting the need for greater awareness and proactive measures in this critical area.

4



# Conclusions



# Conclusion

The findings of this report reveal a growing relevance of the ESG agenda across study countries: Kazakhstan, Azerbaijan, Mongolia and Uzbekistan. The majority of companies acknowledge the importance of ESG factors, with awareness levels ranging from 67% to 97%, and anticipate their continued relevance over time.

However, according to the results, the implementation of ESG strategies varies significantly, with only 21% to 62% of companies having developed comprehensive ESG strategies. Leadership teams primarily handle ESG matters, which emphasizes direct involvement and strategic vision, but also presents implementation challenges.

Identified discrepancies in the maturity of ESG practices suggest varying levels of engagement and starting points across the region. Key challenges include a gap between recognizing environmental issues, and implementing effective mitigation strategies. Social factors like employment practices are well recognized, yet significant area of diversity and inclusion is less emphasized. Ultimately, the evidence suggest the commitment of the four countries to develop ESG agenda further, however, certain challenges still persist.

Kazakhstan is making a notable progress in advancing its ESG agenda, highlighted by major developments like the adoption of Carbon Neutrality Strategy and the introduction of mandatory ESG reporting. According to our survey, companies in Kazakhstan generally demonstrate a high degree of maturity in ESG integration, marked by well-established ESG strategies, active management engagement and comprehensive non-financial reporting practices.

Despite these achievements, specific issues remain prevalent. These include a lack of experience, limited regulatory knowledge and insufficient financial resources allocated to ESG. Addressing these challenges provides an opportunity for the government to take action to further improve the effectiveness and coverage of ESG practices.

In general, our findings suggest that while there is significant ESG awareness and regulatory alignment across surveyed countries, the actual integration of these practices into operational strategies needs strengthening to fully harness their benefits for long-term success in sustainable development.

To bridge the gap between awareness and effective implementation of ESG practices, companies should refine their ESG frameworks and develop ESG strategies that are clear, actionable, and measurable. Additionally, enhancing the organizational structure by establishing dedicated ESG roles or committees can help distribute responsibilities and increase the focus on executing ESG initiatives.

There is also a need to increase transparency in ESG reporting to provide comprehensive updates on the progress and effectiveness of ESG strategies. Efforts should be intensified in underrepresented material areas such as diversity and inclusion, and shareholder rights, to enhance corporate reputation and stakeholder trust.

Finally, companies should develop practical and detailed action plans to address critical environmental issues like climate risk, energy consumption, emissions reduction, outlining specific steps and expected outcomes.



# Glossary

- *ESG – environmental, social, governance*
- *AZ – Azerbaijan*
- *KZ – Kazakhstan*
- *MN – Mongolia*
- *UZ – Uzbekistan*
- *CSR – corporate social responsibility*
- *CXO – Chief Experience Officer*
- *RES – renewable energy sources*
- *GR manager – Government Relations Manager*
- *ARDFM – The Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market*
- *GHG emissions – greenhouse gas emissions*
- *GDP – gross domestic product*
- *KPI – key performance indicator*
- *UN – United Nations*
- *SDG – UN Sustainable Development Goals*
- *PM2.5 – particulate matter*
- *Net Zero – net zero emissions*

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