



Turning point

Kazakhstan edition of 26th
Annual Global CEO Survey 2023

Message from the Managing Partner of PwC Kazakhstan, Dana Inkarbekova



We present the results of the 11th Kazakhstani edition of the survey of CEOs of the largest companies in the world, conducted as part of the 26th global PwC CEO Survey. 4,410 private business CEOs from 105 countries took part in the global survey and 68 CEOs from Kazakhstan this year.

The main focus of this year's survey is on the analysis of the actions and measures that leaders are forced to take as a result of the changes and shocks that have occurred in 2022. Having not fully recovered from the effects of the COVID-19 pandemic, businesses are facing new global challenges.

The leaders of companies operating in Kazakhstan assess the development of the global economy in different ways in 2023: 32% predict growth, and 37% expect it to decline. While our global survey has shown that 73% of CEOs surveyed predict a slowdown in global economic growth. Kazakhstani business leaders attribute their optimistic expectations to China's post-pandemic economic recovery and the USA's inflation control. However, the global situation remains tense due to the ongoing geopolitical conflict between Russia and Ukraine, which is causing disruptions in supply chains, contributing to inflation and an energy crisis around the world.

Despite ongoing geopolitical conflicts, 62% of our respondents expect Kazakhstan's economy to grow. According to the survey, this attitude is due to the potential of Kazakhstan, the stabilization of the domestic political situation, the increase in business activity and geographical location. However, business leaders are concerned that any global shock would definitely affect the economy of Kazakhstan, since our country is heavily dependent on the outside world and, in particular, on large neighboring states. It is now difficult to assess the effect of such a shock.

According to the results of the survey, the greatest concern among Kazakhstani leaders in terms of business threats is caused by geopolitical conflicts (66%), inflation (40%) and cyber risks (35%). Due to the current uncertainty, Kazakhstani entrepreneurs have focused more on business sustainability rather than its growth, mainly through spending optimization.

The ESG agenda is gaining momentum around the world: 21% of surveyed executives in Kazakhstan are planning to invest in the decarbonization of their business model, which is 10% less than according to the plans of respondents globally (31%). There is also a significant difference in investment plans for alternative energy sources: only 14% of Kazakhstani leaders are planning to invest in this area compared to 34% of CEOs globally. While some companies have to revise the timing of implementation of their climate change risk reduction initiatives, business leaders around the world continue to ponder the possibilities for implementing them. Climate

risks can directly affect a company's short-term and long-term vision. For Kazakhstani entrepreneurs, the most significant impact is expected to be on the supply chain (45% expect moderate, large and very large impact), which could lead to delays, difficulties accessing raw materials and a decrease in production capacity. At this stage, only 24% of local leaders have already completed the development of their strategies to reduce air emissions and environmental pollution.

The supremacy of law in all spheres of state activity remains, according to business, the main priority of public administration. Like last year, this priority was noted by 51% of respondents. The efficiency of achieving this goal is slowly growing and is 10% against 7% last year. The fight against corruption, infrastructure development, qualified personnel, the predictability of the macroeconomic environment and investment attractiveness were also noted as key priorities on which the state should focus. Access to affordable capital has become more important (19% in 2023, 10% in 2022), while mitigating climate change risks remains a low priority for executives (6%). Business leaders also expressed their interest in cooperation with the state, especially in matters of investment attractiveness of the country (41%) and infrastructure development (40%).

We would like to express our deep gratitude to each participant in our survey who took the time to meet in person and online and complete the questionnaire. We hope that the result of our joint efforts will contribute to a deeper understanding and cooperation between private business and the state and will also allow us to take into account the current problems and expectations that take place in the real sector of the economy of Kazakhstan.

A stylized, handwritten signature in black ink, appearing to read 'Dana Inkarbekova'.

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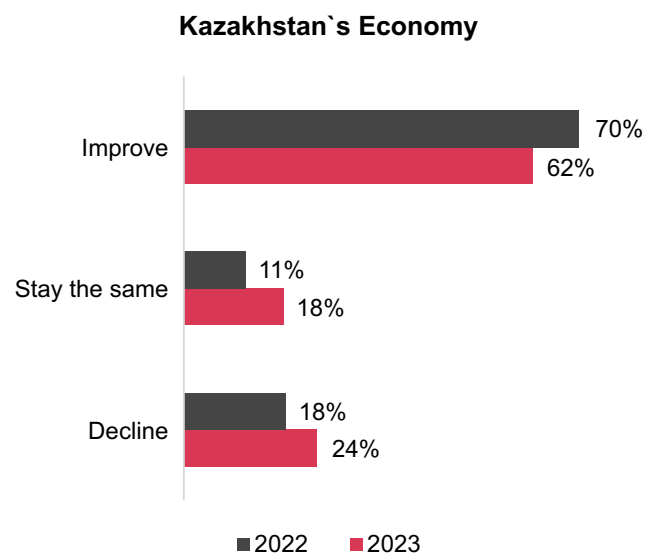
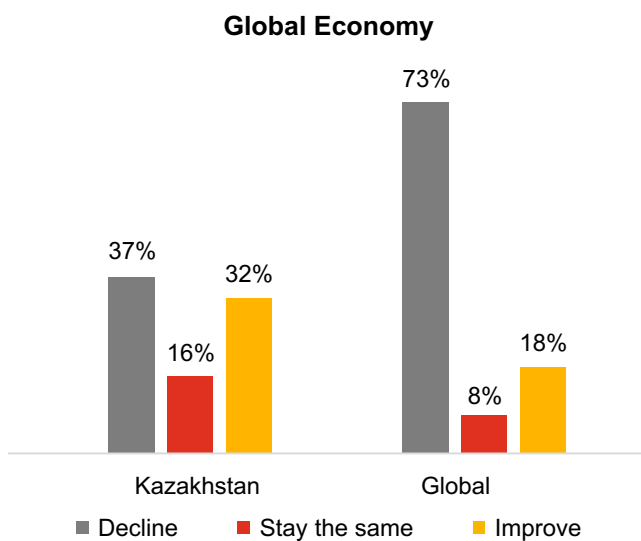
Private business in Kazakhstan

Theme

Responders on the prospects for the development of the economies in Kazakhstan and in the world

Kazakh private business leaders are almost equally expecting the global economy both to grow (32%) and decline (37%) in 2023, while most CEOs around the world expect a decline (73%). China's reopening after the COVID-19 lockdown and inflation control by the US were cited as the main reasons for the less clear outlook and more optimistic vision by some local CEOs. However, the global situation remains tense due to the current geopolitical conflict between Russia and Ukraine and its negative consequences, such as rising interest rates, inflation and disruption of supply chains affecting the whole world. Some respondents do not rule out a recession in the global and European economies in the future.

While the uneven economic growth among different countries may be affected by current geopolitical events and possible recessions, Kazakhstan is likely to receive a local economic boost. 62% of Kazakhstani businessmen expect that the local economy will grow, whereas 24% of them expect a decline. The projected growth may be due to the potential of Kazakhstan, stabilisation of the internal situation in the country, increased local business activity, inflows of investment and human capital, as well as its advantageous geographical position, which allows Kazakhstan to act as a transit hub. Now, Kazakhstan is considered as one of the most stable and promising economies in the Central Asian region. Nevertheless, businessmen still have concerns that in the event of a severe deterioration in the global economy or start of another global crisis, this will significantly affect Kazakhstan as well.



“Forecasting is a thankless task, and it is even more thankless in the light of the events that are now taking place in the world. I think that the overall situation in the world will be rather sad, because a number of important factors seem to have converged into one big wave. We see high inflation, rate hikes, a climate agenda that is pushing production costs up, and great geopolitical tensions. All this together creates a firm prerequisite for a recession. I think this recession will come from Western economies, in particular, the US, Britain and Germany. There is hope for the Asian economies, namely India and China.

But, I'm afraid that in the best case, the growth of global GDP will be as little as 1-1.5%. If we talk about Kazakhstan, the forecast is then quite good with a GDP growth of about 4-4.5%. This forecast relies on the inflow of investments and human capital from Russia and new logistical opportunities that may arise due to sanctions against our northern neighbour.”

Serik Tolukpayev
Aitas-Group

“Despite the differing opinions as to the onset of a recession in 2023, I see that it is not likely that the global economy will plunge into a major recession. Certainly, we see that the index of technology companies has fallen, but it had grown significantly in 2021-2022, we see reductions in employees in global companies, especially in FANG (Facebook, Amazon, Netflix, Google), but these companies had significantly increased their staff in the said years: for example, Amazon by 23% in 2021 compared to 2020. Classic markers of recessions, such as significant declines in prices for real estate, raw materials and stock markets, or increases in unemployment by tens of percent, are not yet in sight. Yes, there was global inflation in 2020, but it has also been going down since the beginning of this year. There will be volatility, but that's okay.

On the other hand, we see factors that can contribute to the growth of the global economy. First of all, this is a full-fledged entry into the global market of China, which has severely limited itself over the past three years due to Covid-19. Secondly, removal of logistical "bottlenecks" in the world is underway. Thirdly, we will witness a decline in global inflation in 2023.

Not everything is clear in Kazakhstan, as there are two strong factors that we do not control. These are oil prices and the situation in Russia. If the forecasts for oil prices are more or less optimistic, the risk of a degradation of the situation in Russia where the sanctions have their negative impact, remains, and we are closely linked economically. Now we should not forget about the CPC that may be again stopped for repairs, and the economy of Kazakhstan is highly dependent on this pipeline.

But in my opinion, it will be better in 2024, because we will learn to live in this uncertainty, and, of course, new great projects will start to show their results, for example, the increased production at Tengiz by 40-50% and the increased production at Kashagan in 2024.

We forecast a market decline in the oilfield services segment, because a big Future Growth Project construction is completed at Tengiz, where 31,000 people will be unemployed this year. Kashagan project growth is not yet expected, and there are no major growth projects that may involve a large number of companies. In general, there will be a certain lull in the oilfield services market during the next 2 years. This year we also have a decreased scope of work, primarily due to the completion of FGP at Tengiz. Our plans are to enter any foreign markets, primarily the markets of the Middle East, where we are already opening our offices.”

Almas Kudaibergen
Centrasia Group

“There will be some growth, but slight. As a rule, Kazakhstan shows the average rates worldwide, so, in my opinion, economic growth in Kazakhstan will be slightly increased up to 3-3.5%. The situation in the global market will also develop.”

Yerkin Dlimbetov
Ordamed

“I hope for moderate local growth in the future, but globally, a crisis is likely to begin. It will affect us partially, but I do not exclude that given the geopolitical situation, it may have a negative impact on us. The example of mobilisation in Russia shows that the Russian specialists outflow helps us in terms of the qualified personnel appearing and the increased economic indicators. Our industry will continue to grow. In 2022, we grew well, in 2023 we hope for the same growth.”

Askar Baitassov
abr

“Despite the global geopolitical shocks, growth rates, inflation and recession in major US and EU markets, the global economy will be balanced by the developing economies of India and China leading to a moderate decline in the global economic growth. As for Kazakhstan, the economic development will only slightly slow down due to the Customs Union, an active market for "parallel" imports with Russia, increased exports of raw materials to Europe, and, probably, government regulation.”

Erik Shortanbayev
Skymax Technologies

“I believe that the economic growth of Kazakhstan will slow down. If we look at the situation through a chess player's view, it is clear that there is a tough fight now in the world. One major player is trying to weaken the other and will beat any weak points. Oil is a weak point both for Russia and for Europe. In turn, Kazakhstan, unfortunately, also highly depends on the oil market situation, therefore, although this struggle is not aimed at us, the negative foreign impact will affect us to the full extent. I doubt our internal resources are sufficient to deal with such pressure.

I think that a little growth in the economy is insufficient for people to feel any improvement. The fact is that our expectations are growing faster than the real economy is growing. And when there is a slowdown in the growth, it may be considered as a recession, although nominally there may be growth. In addition, when GDP growth slows and inflation accelerates, the savings then begin to be reduced, and it enhances the feeling of a recession. Probably, I was optimistic when I assumed that GDP would continue to grow. Now the general mood is more pessimistic. But it's hard for me to imagine why people would suddenly start producing less. In general, there are some technologies, capacities and there is the demand. If we exclude various financial and political machinations from the real situation, the real economy should then at least maintain its size or even grow a little.”

Konstantin Kulinich
Mary Kay Kazakhstan

"I think that the global economic growth in 2023 will slow down, and Kazakhstan will repeat this trend."

Nikolay Babeshkin
Kolesa Group

"The global economy has undergone some geopolitical shocks affecting both the supply chains and also the redistribution among world players, production and consumption. In addition, climate change has a significant impact on energy, which, of course, affects all countries in the world. The energy crisis, in my opinion, was provoked, among other things, because of the "Green" agenda. As a result, we have received a significant rise in global inflation, so the global economy will not grow within the next 12 months. As for Kazakhstan, we are in an interesting position, for lack of a better term. It has its benefits and drawbacks. The current situation has turned out to be profitable for some, but it has been completely unprofitable for others. The Kazakhstan production enterprises whose products are more expensive than in Russia and whose main sales market has been Central Asia became uncompetitive because Russia cannot supply to Europe and has redirected its supplies at a much lower price to our region. Therefore, I feel like Kazakhstan's economy within the next 12 months will be slightly increased, but later on, the GDP growth, for the longer period, will depend on the internal stability of our country. It is important to pay attention to the population welfare grows (and this is more important than the GDP growth), the rate of development for the logistics directions, especially the trans-Caspian one, and, of course, the growth or contraction of the economies of our neighbours (China, Russia, Central Asian countries)."

Farrukh Makhmudov
Orbis Kazakhstan

"We believe that the global economic growth within the next 12 months will be slightly increased, and the economic growth in Kazakhstan will be moderate. The difference is escalating due to the situation in Russia and the servicing of the needs of this market, including labour and services markets because of traditionally strong economic ties with Russia. Kazakh products are sold for a stronger Ruble, and the incomes are higher, respectively."

Kairat Mazhibayev
Resmi Group

"The global GDP growth rates will moderately decline worldwide. As for the growth rates of Kazakhstan's economy, I hope that the dynamics will remain at the same level, and maybe even grow a little. Nevertheless, I think that now there is no coordination between the National Bank and the government. The Ministry of Finance, the National Bank and individual relevant ministries are sometimes not synchronised in the tools for resolving even strategic issues, such as the inflation control. This results in that it is difficult to assess correctly the impact of certain measures taken by the government, and even more to understand which department particularly needs special focus and priority. If we stop philosophising and move on to synchronous problem solving focusing on the highest priority tasks at the moment, inflation rate will be contained, the rate for business will be normalised and we can have a growth in summer."

As a representative of business and retail, I would like to see more effective interventions of preferential money in the economy for domestic production, logistics and the trade industry."

Azamat Osmanov
Magnum Cash & Carry

"Economic growth on a global scale and in Kazakhstan will be moderately increased. It mainly depends on what will happen in China in terms of growth, what will happen in the US in terms of interest rate growth versus inflation. If inflation stays high in the US and the Federal Reserve needs to increase interest rates a lot more, it potentially could lead to a certain decline over the next year. So far, according to US government data, economic growth was resilient in the fourth quarter of last year with strong labor markets, consumer income & available savings & we have had quite good adaptation of energy crisis in Europe and re-opening of China, Considering the latest survey of the World Economic Forum's Community of Chief Economists we may expect a limited economic growth worldwide in 2023. When it comes to Kazakhstan, I think there will be growth as well around 3% as many economic experts are forecasting for this year. There are several risk factors that may have an impact on economic growth of Kazakhstan such as uncertainty of political & economic environment in Russia, persistent inflation of tenge."

Juan Carlos Escobar
Philip Morris Kazakhstan

"We think that the economic growth in Kazakhstan will be moderately increased. Traditionally, Kazakhstan's economy heavily depends on natural resources such as oil, gas and minerals. The country seeks to diversify its economy and reduce dependence on these sectors by developing other industries such as information technologies, agriculture, tourism, etc."

We see that many foreign, Russian and Belarusian businesses have come to Kazakhstan and this is not just a nominal opening of companies. They move offices, people, and technologies to Kazakhstan.

I think globally there will be a moderate decline."

Anna Dyu
Noventiq

"Kazakhstan's economic growth will be slightly improved. I believe that Kazakhstan could benefit greatly from its geographical position as a transit hub. Given the changing supply chains, I see that Kazakhstan may increase its exports and become a transit country. Government and business are taking steps to improve logistics, increase storage space and enter into agreements with other countries and companies. Moreover, the development of natural resource deposits in Kazakhstan is expected to contribute to the positive economic growth."

Arminas Macevicius
STADA

“Kazakhstan's economic growth will be slightly improved due to increased business activity and the growth of non-cash payments. Tax revenues will also increase due to the trade growth.”

Mikhail Lomtadze
Kaspi.kz

“I think that the global economic growth will be slightly increased due to the gains in some countries and declines in others. In terms of the Kazakh economy, then I am more optimistic - growth will be moderately increased in Kazakhstan. There is a sense that we have already passed this stage, and now the economy will grow. I can make no judgement concerning the financial or other sectors, but we feel stability in our manufacturing sector. The consumption level does not fall, but is redistributed, for example, from more expensive to more budgetary goods.”

Bernard Vavrzhin
Mareven Food Tyan-Shan

“In the USA, the world's largest economy, everyone expected a slowdown in economic activity as a result of the increased interest rates by the Federal Reserve, but quarter 4, 2022 showed good results, so the recession has been slightly delayed. We expect a recession in quarter 2 and 3, 2023. Now the consensus is that recession is likely to be weak because the unemployment might be expected to be record low there. 250,000 jobs have been already created despite the 4% rate. I think the second six months and the end of the year will be good. The stock market will show growth because stocks are up before the economy grows. As soon as the market sees that the Federal Reserve is not raising but lowering interest rates, the market should go up. I think that the first six months of the year will be sluggish. There will be a small recession in the middle of the year, and the market will start to come out of recession in the last quarter.

As for Kazakhstan, it's quite different. Firstly, 2022 was a difficult year, starting with the January events and continuing with the Russian-Ukrainian war. When the war started, our sales dropped and quarter 1 was bad. But finally, 2022 was the strongest year I have ever seen in my business career. Undoubtedly, the Kazakhstan economy was strong last year, but 3% official statistics have not shown the real situation. I think the growth was about 15%. The last time I observed this was in 2008. I believe that the positive effect will continue in 2023. Naturally, inflation in Kazakhstan is a great problem, especially wage inflation. The second factor is the lack of labour force, no unemployment, shortage of manpower. Earlier, in 2019, when we announced the recruitment of reception managers, 40 newcomers came to us and we arranged for a casting. Now just one person responds, and we immediately hire him/her. Everybody wants a salary of 300,000 - 400,000 tenge, while earlier it amounted to 150,000 - 200,000 tenge for the same position. Therefore, inflation will become one of the greatest problems for the economy of Kazakhstan, but despite this, the nominal growth will continue. Those companies that can raise prices themselves will do well, but companies that are very dependent on prices, but can not raise them much themselves, are likely to have a difficult year. We are talking first of all about restaurants because they do not raise prices as quickly as the cost increases.”

Iliyas Issatayev
Invictus Fitness

“The global economic growth will be moderately declined on average. The economic growth in Kazakhstan will probably remain at the same level due to many factors such as the actions of the government and the global situation. In terms of our business, there is growth, we have a fairly high differentiation. Banking and telecoms are growing, real estate also grew last year. Due to the current geopolitical conflict, Kazakhstan economically has been economically advantaged to some extent. Kazakhstan has already become an area for unauthorised parallel imports. non-sanctioned parallel imports. The fact that many global brands have left the Russian market does not mean that they cannot be sold. This is a political decision but not a legal one.”

Erlan Ospanov
Verny Capital

“At the beginning of 2022, we had pessimistic expectations for the growth of the Kazakhstan economy. We assumed that the gap in supply chains and the resulting restrictions on the export of Kazakh oil would significantly affect the growth of the economy of our country. But we observe that despite the difficulties, the clients of our bank are able to adapt and have steady growth. Moreover, the growth of our business was due to changes in the banking sector in Kazakhstan (several players left the market), which allowed us to grow significantly in profit (50% growth in 2022). It is clear that Russia will have an impact on the economy of Kazakhstan. The current conflict between Russia and Ukraine could take years. However, I expect the growth in the Kazakh economy within the next 12 months. As for the global economy, there will be, of course, growth over time, and the global market will adapt to new realities over the next 12 months, so the global growth will not be observed or even reduced.”

Bekzhan Pirmatov
ForteBank

“In my opinion, the global economic growth will slow down in 2023 due to the causes relating to the military conflict in Ukraine, restrictions and sanctions, accelerating inflation in the USA and the EU, higher interest rates and disruption of supply chains, a significant contraction of the Russian economy, a deep recession in the Ukrainian economy. The economic growth of Kazakhstan, in my opinion, will be slightly increased. Kazakhstan is still a resource-based country, however, with the launch of new capacities at Tengiz and the reverse effect of lower oil prices, it is possible to hold positions in this sector of the economy. I think that construction, domestic Kazakhstan segment of services including transport and trade will be the most developing industries. It is the growth (though small) in these segments that can cause a slight growth in the economy of Kazakhstan.”

Alexei Khegai
TSPM.

“Kazakhstan has excellent macroeconomic indicators and looks like a favourable platform for the production growth in the current situation. Kazakhstan is the most stable and prospective economy in the region.”

Lev Appakov
Schneider Electric

“Anyway, Kazakhstan will have a slight economic growth rate unless force majeure occurs. I think our sector will have growth of about 10-15%. As for the global situation, according to forecasts, a recession is possible, funding rates are rising, inflation is still high. There will be no revving up the economy until the rates are down. In my opinion, the global economic growth will occur in 2025-2026, and now it will be slightly declined.”

Yuriy Negodyuk
Restaurant chains: “BAO noodle&sushi”, “Pinta”, “Tomato”, “The Banka”, “Paul”

“I think that there will be economic strain both in Kazakhstan and throughout the world. Investors have become more careful in choosing projects, if we compare with the IT market.”

Bolatbek Ospanov
Smart Satu

“The countries that are closer to Ukraine are now in recession, however, I remain optimistic. If we talk about Kazakhstan, then I think that our government has been brave in acknowledging 20% inflation. And even with such high inflation, I expect a moderate economic growth this year.”

Maxim Melnik
Satu.kz

“I agree with the Credit Suisse experts' forecast, who assume that the growth rate of the global economy will slightly increase over the next 12 months. This relates to what is happening now. The US economy is doing well, they could avoid stagflation. China removes covid-related restrictions that will drive global economic growth. The disadvantage is that the UK and Europe are experiencing a recession, inflation, their economy becoming worse due to their assistance to Ukraine, and energy resources are becoming more expensive. Thus, global growth will be driven by the Asian and American economies. The first six months of 2023 will be difficult because of strong pressure from inflationary expectations; but the business and the global economy will find a way out of a difficult situation by the second six months of the year. Everyone expects growth, all states are trying to restore the economy after the prolonged crisis of 2021-2022.

The GDP growth in Kazakhstan is planned at 3.7% level for 2023. Everything will strongly depend on the macroeconomic and geopolitical situation. There are some advantages: the trade balance is getting better, we have started exporting more equipment, although it is clear that everything goes to Russia through Kazakhstan. If our country succeeds in arranging the transportation and sale of our energy resources to the European or Chinese market, everything will go well. If, due to geopolitical risks and close economic ties with Russia, we cannot resolve this issue, the economy will decline. But generally the expectations are good. Although in terms of the CIS countries, the Kazakhstan economy will grow more slowly than the economies of other countries, such as Uzbekistan. Our company has great expectations for Uzbekistan.

They are very open to investment, have reduced their tax costs almost by half, and made preferences for foreign companies. But, generally, we expect that the economic growth in Kazakhstan will be a little higher in 2023.”

Kuanysh Ospanov
Sanofi Kazakhstan

“I think that the global economic growth will slow down a little due to the last two-year pandemic, the 2022 geopolitical events, all the logistical problems and the restructuring of economies to adapt. Many countries now have to rebuild due to high prices for the energy resources affecting almost all of Europe, the USA and China. As a result, these countries are at risk of recession. Therefore, globally, we are unlikely to feel any significant growth. It will be mainly due to the energy resources and rising prices for them. In Kazakhstan, we mainly export the raw materials, prices for it are growing, and I do not think that we will suffer much in the future. The economic growth will likely remain the same.”

Alexey Sidorov
Silkway Group

“I expect the economic growth in Kazakhstan will remain the same. On the one hand, there is an effect from the current situation with our neighbours (Russia, China), and on the other hand, growing populism in the country that affects decision-making in our country without a proper assessment of their economic effect.”

Olzhas Junussov
Kazphosphate

“I believe that the global economic growth will accelerate a little. As a result of the annual meeting in Davos, it became clear that the prospects for the global crisis are a bit exaggerated, even though inflation has already slowed down and, I hope, will soon go in the right direction. The economic growth in Kazakhstan will also be moderately increased. Despite all the geopolitical risks, the weakened position of Russia and Ukraine now to some extent solely economically works in Kazakhstan's favour due to the artificial growth of competitiveness. Also, the geographical location of Kazakhstan on all transport routes from the east to Europe provides geopolitical advantages. Despite all the risks and challenges of the external environment, Kazakhstan has resource-related independence, therefore, our situation is stable in the medium term.”

Kiril Bachvarov
Home Credit Bank

"I am confident that the global economic growth will decline, but how much - that is the question. Now the trend is, for example, a significant decrease in growth and turnover observed in our business and in the companies which we work with. Sales increased at the beginning of last year, decreased by the mid-year and significantly fell down at the end of the year. I hope it will stop and we will get to a moderate decline in 2023. I would like to believe that all the worst has already passed.

I think there will be moderate growth in Kazakhstan. As for our company, we have representative offices in 45 countries, subdivisions in Kazakhstan, Uzbekistan, Kyrgyzstan, the Middle East, Russia, and ended the year with positive dynamics. Eastern Europe, depending on the country, had both negative and positive dynamics. I have no exact data for the markets of Europe and America, but I think the annual report in February 2023 will provide us with the full data. Due to the recent events in the world, I think there is a momentum for business growth in Kazakhstan. This is a "safe harbor". I think, politically, the past presidential elections have also added stability, and economically, we are on the right track. Therefore, there will be a moderate increase and maybe a significant one."

Mikhail Borisov
Fluidra Kazakhstan

"I assume that there will be no growth in the global economy in 2023. There will be insignificant growth in Kazakhstan. In general, the investment climate in Kazakhstan is getting a little better due to the recent changes and due to the business mood in general. The current situation in Ukraine has not affected us much as a business. We are a certain buffer, so I expect the situation in Kazakhstan will be better than in the world."

Nikolay Mazencev
Chocofamily Holding

"I'm not going to talk about the global economy as a whole, but the venture retail market is expected to grow. The stock exchanges have accumulated a lot of venture capital, and big cheques are expected to be issued. This is unlikely to have a great impact on the economy because the global venture capital market has a small share. But there will be a delayed effect, since this sector is associated with innovation and technologies.

I think that everything in Kazakhstan will remain at the same level. People who have serious financial resources do not pull them out, do not invest in the economy, they want to wait it out."

Doszhan Zhussupov
Cerebra

"Global economic growth will slightly increase within a year. On the one hand, it will be stimulated by the opening of China after the zero tolerance policy for COVID-19. On the other hand, the United States has managed to control inflation, the recession within a year is no longer an issue. These are advantages. Disadvantages are geopolitical conflicts and a recession that could happen in the European Union. In general, given that the drivers seem to be more powerful, there will be a little economic growth. As for Kazakhstan, we depend on the energy and commodity prices. An international analytical agency predicts record demand for oil this year, the new supply chains are changing and generating. Kazakhstan, to some small extent, is the beneficiary of the current problems of its neighbours, because it becomes an intermediary in trade. In addition, due to the growth of China, the metal prices are rising. Therefore, I expect moderate growth in Kazakhstan."

Marat Seitkulov
Caravan Resources

"The global economy is going through an unstable period, the growth is constrained by a number of factors, and among the dominant ones are the political conflict context and rising inflation. At the same time, Kazakhstan's economy continues to attract the investors' attention. The climate is supported by a number of quality resources and geographic location."

Alexandra Bekisheva
Engineering Company "Kazgipronefttrans"

"The global economy growth will be slightly decreased due to the military conflict in Ukraine and the situation between China and Taiwan. Economic growth in Kazakhstan is likely to increase driven by the high prices for the energy resources and metal."

Ilya Martinenko
Avrora Holding

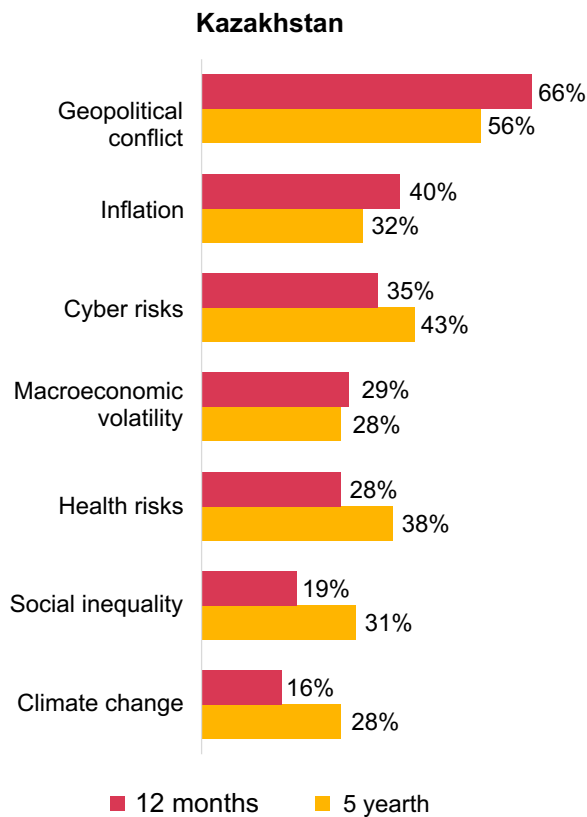


Threats affecting business

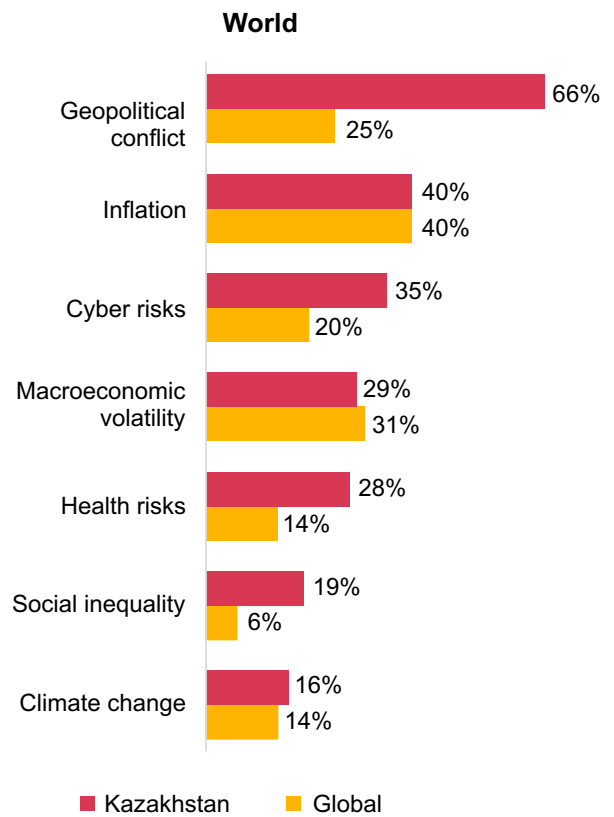
Kazakh leaders are more afraid of geopolitical conflicts (66%), inflation (40%) and cyber risks (35%) within a year. At the same time, the top 3 business threats for businessmen in the world include inflation (40%), macroeconomic volatility (31%) and geopolitical conflicts (25%). The growing concern about these factors is due to the war in Ukraine, the increased interest rates of central banks, possible economic difficulties and uncertainty. It's interesting to note that Kazakh businessmen worry about social inequality almost 3 times more (19%) than in the world (6%). Such a result is likely a consequence of the January events in Kazakhstan in 2022. Despite the settlement of these events, the level of fears regarding social inequality in the future 5 years has increased (31%) due to uneven distribution of income, rising prices and inflation.

The level of exposure of companies to the threat of climate change within a year is 16% both in the world and in Kazakhstan.

The level of exposure to business threats



The level of exposure to business threats in the next 12 month



“In general, it is quite difficult to make any forecasts for the next 5 years. I believe that it is necessary to think in the framework of the current period. We have a significant level of exposure to **geopolitical conflicts**. As a result of the current geopolitical conflict, we, as the Kazakh company, have not drastically affected, but as a holding, we bear the consequences. Nevertheless, a possible conflict in China poses a major threat for us, as the Kazakh company. It will probably happen in 2026-2027. Since the Chinese Communist Party's doctrine states that they must resolve the issue of Taiwan, if there is a conflict, everyone will be affected. Nissin (*Nissin Foods Holdings is a leading Japanese ramen noodle manufacturer and shareholder of Mareven Food Holdings Ltd.*) has several factories in these regions. This conflict could seriously aggravate the international confrontation and significantly affect our business.

Our company has a high level of exposure to inflation. We raised prices for our products several times in 2022. However, the consumer demand in Kazakhstan continues to grow, it has only slightly decreased in the segment of traditional pasta compared to the last year. Fast food products show the growth, especially in the expensive segment. For example, Korean manufacturers already have about 40% of the market share in Almaty, they even overtake us in terms of money, but not yet in quantity. We are working in this direction and diversifying our products.”

Bernard Vavrzhin
Mareven Food Tyan-Shan

“Macroeconomic volatility - low level of exposure. This is due to the niche occupied by the poultry meat for the consumer. Poultry meat is a cheap protein, and fluctuations do not affect much. Instead, when decreasing purchasing power and worsening the situation, the demand still grows, the consumer switches from red to white meat, so any special changes should not be expected here. It is clear that if this volatility goes beyond except for force majeure, military situations, it should not then affect either within the next 12 months or 5 years.

Inflation has a very interesting nature. It's more about the value of money. Inflation makes it possible to produce more, the consumer always loses, the producer more often wins on inflation and also on declining exchange rate. As the money supply grows, the cost of the goods rises, and some part of the people are not able to buy. Unfortunately, it does not operate in favour of the consumer. It is also not good for long-term production, but in general it is worse for the consumers.

Climate change - is a rather big threat, because we are directly linked with the available raw materials. Raw materials have become very expensive in recent years, primarily wheat and soybeans, so any extreme conditions such as heat, cold, which take place in the climate change, may affect the ecosystem's productivity. In this regard, we have a high level of exposure, and it will only grow within the next 5 years.

Social inequality indirectly affects the business. I believe that it affects moderately, because we do not generate it, we are a part of the subsystem. Inequality is not generated at our level, so we cannot influence the situation.

Geopolitical conflicts - This is now everyone's favourite topic. I think they will positively affect the current situation. We have got access to personnel - this has a positive effect. I think that Kazakhstan is in a rather difficult and at the same time very important area, so no one has much interest in “destabilising the situation” here. I am sure that everything will be fine in Kazakhstan in terms of geopolitics.

Health risks - are a very serious threat. Due to the current climate change situation, almost everyone is at higher risk of disease. High population density, climate change, extreme heat and cold will increasingly affect people's health.

Serik Tolukpayev
Aitas-Group

“Macroeconomic volatility – high exposure within a year, moderate within five years provided that we act with courage. We will have to change a lot. Now it is very noticeable that the more you delay the transformation, the worse it becomes for you.

Inflation – a significant level of exposure within a year and five years. We work in the area of public procurements, where there is a margin rate approved at the legislative level, and officially we have the right to change prices only once every six months. Now the authorities are deliberately delaying this period, and we cannot change prices even after nine months. Stopping sales is not an option, because the competitors will occupy our niche. Today, our specialists are solving the issue at the level of the Ministry of Health. We understand that many global pharmaceutical companies are leaving Kazakhstan today for this reason. This is the right decision, and we have no idea what will happen with our company.

Now we are greatly reducing the staff, because we do not know what will happen next. The equipment manufacturers we work with have not raised prices for several years, but will be forced to do it. Logistics costs and employee salaries have grown and continue to grow, and we are raising salaries by reducing the staff.

Something has to change, but what is a big question.

Therefore, for now, the task is simple - we will be reduced to the level of very small companies, and this is the inflation result. Due to inflation, we accumulate a loss. The situation will get worse during the next five years, and we know the causes. We have a plan of actions, but they need to be implemented faster. We had to start the transformation last year, I warned the company's management, but they did not take any actions. I myself came in October to the position of the Chairman of the board.

Geopolitical conflicts - a significant level of exposure.

These conflicts break globalisation and give rise to localization which is strongly manifested in every country. It is stronger in our industry than in others. The medical equipment industry is highly regulated, and as soon as a country tries to close its market, it increases the regulation. Russia tried to close itself with regulation through the Eurasian Economic Union, and now they say that from July 2023 they want to allow the use of non-original spare parts in medical equipment. This is the end of the industry, it is impossible to predict what to expect from such a technique, how it will work and how effective it will be.

Regulation is getting stronger. The EU closes its territory from equipment made by unknown manufacturers from China and other countries. Thus, only the largest players who have money remain on the market. In order to change the system, there are not enough technical testing laboratories, which slows down the entry of any equipment into the market. This will lead to a setback of the medical devices sector to levels of about two decades ago. On the other hand, for us as Ordamed, which claims to be global, it is good. The last modern technologies that entered and conquered the market have always been a problem for us. Thus, localization will stop the technical progress in medical equipment, but there will be a huge number of manufacturers that will immediately affect the price, everything will become cheaper. The state must promote a clear policy in terms of equipping the hospitals with medical equipment, otherwise at some point we risk getting hospitals with poor equipment.

We had two scenarios: to become a single-product company focusing on a certain product, or to be a multi-product company focusing on a brand. We don't yet know which option to choose due to the rapid change in the external conditions. Manufacturers of medical equipment are going bankrupt, all the largest manufacturers of medical devices and equipment are reducing their employees due to falling sales in quarter 4, 2022. The most basic reason is the components and spare parts: very small companies specialising in niche products are closing.

Health risks – moderate level of exposure within a year, high – within five years. Employees began to have any mental problems leading to any chronic diseases, and vice versa. This has never happened before. People began to pay more attention to their own health, we as a company even had to maintain more expensive insurance packages for our employees. We have our own service for health care for the employees and their relatives, for example, helping to issue quotas quickly.

Perhaps Astana Hub makes an emphasis on the medical equipment area as the top three priorities and will contribute to the new products and technologies to be appeared for the health care. If we found any solutions helping the employees to determine their own condition more quickly, this would give a good result. We have a full-time psychologist in the company, and employees ask for his/her help. They were ashamed of addressing a psychologist within the first year, then now they use his/her services.

Yerkin Dlimbetov
Ordamed

“**Inflation** will have a significant impact in both the short and long term due to the reduced purchasing power.”

Farrukh Makhmudov
Orbis Kazakhstan

“**Macroeconomic volatility.** We work in our company according to the model of sustainable profitable growth. We have to grow more than any other in the medium term and show our higher profitability within the next 5 years. But in some years, when the market is overflowing, the company does not force its growth, and when the market collapses, it should not fall at least more than the market. Given the volatility which has been observed in the market over the past 17 years, the stability of our business platform is very important to us. Therefore, our exposure to macroeconomic volatility is low within the next 12 months and high within the next 5 years. We need to work hard to maintain this model in the future. It is not difficult to show the growth in a specific period of 12 months, but growing and being profitable over five years are major efforts.

It is important for society to have competition in the market, because that is what ensures its growth and improves all management systems. Companies with sustainable growth in the competitive markets are very beneficial to society. But now less attention is paid to the benefits of competition for the country.

Inflation – low level of exposure is within 12 months, and a moderate level of exposure is within 5 years. We try to control both our supply chain and our pricing. Yes, in terms of macroeconomics, inflation is one of its key indicators, but there are other factors that we worry about. We can in any way smooth out problems within the cost of production through prices, but we cannot ignore, for example, the devaluation of the Kazakh tenge against the Russian ruble.

Social inequality – low level of exposure within 12 months, high – within the next 5 years. We are always concerned about the inharmonious distribution of benefits and opportunities, this is very important for us. We work in the consumer market, and it is important for us that as many people as possible have access to our products so that we can form the best products, strong brands and create competition. When gaps in social inequality widen, we have nothing to gain from it. Unfortunately, for ten years we have not seen the situation improve. In my opinion, the threat of the same situation as in January 2022 will exist until we see the great shifts in social development, because Kantar is not a cause, it is a consequence of this inequality. Also there is a second factor - any public gathering is perceived sharply both due to the weak culture of holding public rallies and public discussions, and regulatory practice. The combination of these two factors can have serious consequences.

Geopolitical conflicts – high level of exposure within the next 12 months and moderate within the next 5 years. They affect our business very strongly, especially in a specific period, but I am sure that we are able to reduce the threats within five years. But somehow, geopolitical conflicts, including those that seem to arise unexpectedly, affect us. We feel the impact of the conflict between Tajikistan and Kyrgyzstan, the events in the west of Uzbekistan, not to mention the war in Ukraine. The conflicts affect supply chains, sales and, for example, the team. If earlier it has been international, now it is more regional. We have a lot of specialists from Ukraine, Uzbekistan, Russia, Kyrgyzstan and only a few specialists from far abroad, and the newly emerging flows affect the business very much.

Cyber risks – a low level of exposure within 12 months because we in some way do not keep up with the trends in digitization, big data analysis. It may become high within 5 years.

Now the marketing has become more direct due to the digital sphere, while the cost of contacting the target audience is still higher than on TV. But if contacts with the consumer have already been established, then it is important both to maintain and develop them. At this stage, it becomes an attractive asset for others. The attackers may be interested in the consumer goods industry with its huge amount of data.

Health risks – high level of exposure within the next 12 months and within the next 5 years. We have not yet seen any breakthrough and applied discovery in the fight against viruses in medicine similar to those of penicillin at the time. The whole world expects similar discoveries after the pandemic. At the moment, humanity and business are still vulnerable to the epidemiological health risks.”

Kairat Mazhibayev
Resmi Group

“In general, **geopolitical risks** can significantly affect our business which is built around the public cloud. These risks may include regulatory changes, political conflicts, tax changes, changes in data protection and cybersecurity laws, internet blockages, and other unforeseen events.

Regulatory changes may require our customers who have hosted their servers in the public cloud to comply with the new standards and requirements. Significant costs may be required to change the company's systems and processes, as well as to train the staff.

Political conflicts can lead to the blocking of the entire Internet, partial blocking of an access to the public cloud, or reduced access speed, which can affect the performance and can also disrupt the company's business processes.

However, companies can mitigate the risks associated with geopolitical factors by using a hybrid technology solution to minimise any potential damage.

In general, the public cloud usually provides a high level of security against cyber threats. The public cloud providers have significant experience with cyber threats and provide multi-layered protection, including protection against malicious software, phishing, DDoS attacks and other threats. They also provide security monitoring and threat services to quickly detect and respond to any attacks or data leaks. In addition, public cloud services are highly available and backed up, making them more reliable for data storage than many on-premises systems. But it's important to note that the cloud service provider and the customer are both responsible for security and compliance with the requirements. The cloud service provider is responsible for the infrastructure security, while the customer is responsible for the security of its applications and data hosted in the cloud.

One of the main barriers to introducing a public cloud in Kazakhstan is the lack of awareness of the benefits and opportunities of cloud technologies among entrepreneurs and government organisations. There is also no clear understanding of the risks and restrictions associated with the use of cloud services. Other reasons are restrictions in legislation and regulation, as well as a lack of cloud technologies qualified specialists.”

Nurbek Sadykov
qCloudy

“Current **geopolitical conflicts** affect **somewhere more somewhere less** both the Kazakhstan business and also other countries in our region. Supply chains and inflation are the main key points that these conflicts affect. In the past, the supply chains were fairly simple. Now they become much more complicated, because we increase the supplies to our countries from Europe. Thus, in order to deliver our products to Uzbekistan, it is necessary to pass through a large number of countries. It is very expensive, and also there is a lack of logistic capability. As for inflation, the situation is now at its peak. We do not foresee more growth. It is likely that inflation will remain at the same high level, it will then decline.”

Mikhail Bazanov
Mars Kazakhstan

“**Cyber risks** level is rather high for our company. We have started to work with HackerOne and are very happy with the results. The platform is quite efficient but very expensive. We are constantly working on security, increasing the investments in cybersecurity and data privacy.”

Nikolay Babeshkin
Kolesa Group

“Moderate level of exposure to **inflation** is expected both in the long and short term because we have no production cost, we do not buy anything. Salaries are our main expenses, so basically we are still subject to inflation through them.

Social inequality - high level of exposure. Our clubs work worse in poorer areas, even if it is a very densely populated area and memberships are cheap, because the lower the income of the population is, the lower the fitness priority. For our prosperity, we need a large middle class, we are focusing on it.

Geopolitical conflicts - very high level of exposure. Fitness is very much tied to customers, if they are not in the mood, the fitness drops a lot in priority. When the war between Russia and Ukraine began, our sales dropped to almost zero throughout the country. When people don't know what's next, they don't buy annual memberships, they keep their cash and start buying more consumer goods.”

Iliyas Issatayev
Invictus Fitness

“**Geopolitical conflicts** significantly affect us both in the short and long term. Due to the fact that until May 2022 the Russian Home Credit Bank was the largest shareholder for us, in March last year we automatically lost our rating and, therefore, lost the sources of wholesale funding due to the European sanctions. This had an immediate impact on our lending appetite. Fortunately, the retail deposits increased, and we felt quite confident in the second six months of the year. After the deal in December and the withdrawal of the Russian shareholders, we actively began to work on restoring the rating. Even if we ignore our damage or loss of profit specifically, banking systems around the world are closely connected, and any restrictions immediately affect the flow of payments and supply chains. This leads to refocusing, rapid replacement of suppliers and market transformation.”

Kiril Bachvarov
Home Credit Bank

“**Inflation** has a strong impact on the labour market. Since the middle of last year, we have felt quite a strong impact by conducting regular polls concerning the employee satisfaction level. Inflation is a major challenge for the Kazakh economy and has caused a number of problems in recent years. Inflation has also led to a significant increase in the prices for the goods and services making it harder for consumers to afford basic-needs products. This has particularly affected low-income households which are more vulnerable to price increase. As a result of prices increasing, the purchasing power of the population is reduced leading to a reduction in consumer spending and economic activity. This, in turn, can negatively affect the business and the economy as a whole.

Current **geopolitical circumstances** are also a challenge for the IT industry and companies operating in this sector such as Noventiq. Many organisations are relocating to Kazakhstan and are already hiring qualified IT specialists who are not so many on the market, so it is difficult to compete with these companies in the hiring process. Our business is based on contacts, on human relationships. As a trading company, when we lose an employee, we lose everything he/she knows. Noventiq is not just an IT company, but an IT company that is successful in sales. Therefore, we often need employees with experience in sales, and to be successful in sales you have to know the market, mentality, culture, speak the same language with the client, and in this respect it is difficult to find non-Kazakh specialists qualified to work in sales in the IT- industry. However, we have an advantage: we are a global organisation represented in approximately 60 markets and 5,900 employees worldwide. This helps to engage more talent specialists because people sometimes choose to work in global organisations.

Geopolitical conflict between Russia and Ukraine also prompted our company to make some organisational changes, starting with the sale of the Noventiq Russian business in October 2022. We have always been an internationally oriented company, as evidenced by our successful IPO on the London Stock Exchange in October 2021 and our rapid growth in the international markets such as India, South East Asia and LATAM. Therefore, the sale of the Russian business and moving forward is the right way to continue our ambitious plans for international expansion and protect the interests of all our employees, customers and stakeholders. Right afterwards, the company has rebranded and now we work under the new Noventiq brand, which means a number of significant changes. Softline's name was of great importance and relevance in those times when software was the IT world core. Currently, software has become a commodity and the focus is on digital transformation, multi-cloud infrastructure, cybersecurity and artificial intelligence. All these areas are represented in our new brand Noventiq..

Anna Dyu
Noventiq

“Does the level of exposure necessarily correlate directly with the level of financial losses? For example, the successful management of the company and the right safety net in some situations at a certain time can, with a moderate level of exposure, minimise the risk of losses and vice versa. There may be a low level of exposure, but if the company is not ready and does not take any necessary measures, then the level of losses can be significant.

Level of exposure to **racial risks and other inequalities** in our company is minimal.

Cyber risks trend is obvious. Very large investments and resources in our company are invested to minimise them and we succeed. However, if we talk about the economies of countries such as Kazakhstan, these risks will then certainly grow within 12 months and five years. Now their influence can be described as moderate, but it will move to a high one. Our lives will even more go online with the associated impact of cyber risks.

Nowadays, there is still a moderate level of exposure to the **health risks** because even if we think that the pandemic is over in our part of the world, nevertheless we are all susceptible to diseases, and this is really serious. These risks, in my opinion, remain. I think that they can be at a moderate level both within 12 months and the next five years.”

Cristina Doros

Visa Central Asia and Azerbaijan

“**Inflation** significantly affects our business model and the results of the company’s activities as it has an impact on the cost of products, active ingredients and substances in medicines. For example, there was an increase of about 25-30% on average last year, and I expect this year it would be about 20%.

Social inequality - moderate level of exposure. I have seen no significant changes in our region over the past five years. Our portfolio mainly consists of quality, affordable generics and vitamins in the middle price segment that meet the needs of the region, so there will not be much impact on us, but moderate effects will remain.

I hope that **geopolitical conflicts** will be resolved within 5 years and the risks will again be moderate. Our region is rather volatile, many countries are still dividing their territories, and the demarcation has not yet been established. There are local conflicts, such as the Armenian-Azerbaijani, Uzbek-Kyrgyz, Tajik-Kyrgyz, there is the problem of the Taliban. Anything can happen, and I can’t say that everything will be peaceful. Therefore, this is very important for the next 12 months, especially given the Russian-Ukrainian conflict, but I think that it will calm down a bit in the next five years.

Cyber risks – high level of exposure as digitalization intensifies and cybercrime grows everywhere. We are also constantly dealing with cyber attacks and various types of scams such as phishing emails in our company, so this is very important.

I believe that there is a mental overstrain. As for us, it is not associated with financial losses. On the contrary, we are well developing our presence in this segment. But, on the other hand, we live in the region where infectious diseases and various epidemics can occur. The same COVID, in my opinion, has not yet ended. Therefore it is impossible to say that the health risks will not be at all, they will be moderate.”

Arminas Macevicius

STADA

“It’s safe to say that all large international companies have faced new challenges due to current events. We have completely reorganized logistics flows, increased local competencies and adjusted the offer to best meet the needs of our customers and partners in Kazakhstan and Kyrgyzstan. In general, we see more opportunities and growth points for Kazakhstan.”

Lev Appakov

Schneider Electric

“**Inflation** - high level of exposure. There was high inflation in 2022; we have budgeted 13-15% inflation for 2023. The inflation has not affected the purchasing power of our audience too much, but I believe that it will not last long, and there are many risks. Prices are rising rapidly. Revising the budget, we include the growth of salaries for our employees there. Inflation will have a slight impact on our business over the next five years.

Climate change has a great impact on our business, if we are talking, for example, about the environment in Almaty. We see the people outflow from the city in winter, and this trend is increasing with the environment deterioration. Some people may form a habit to leave Almaty for the winter, which can negatively affect the city's economy. When I invite the specialists from the West, I try not to bring anyone to Almaty in winter, I plan all the deliveries for spring/summer, so that the first impression of the city is pleasant.

Environment is one of the important factors in terms of the personnel to be engaged from the regions and far abroad. If we, as a city, want to grow economically, I think that we must definitely address the environmental issue, otherwise people will not come here to live and work. It is important for those who have a choice to come here or not. I don’t think that anything will change within the next five years, I don’t see the state’s actions aimed at addressing these issues.

Social inequality – high level of exposure, the situation is unlikely to improve within the next five years, and we have to control it.

Geopolitical conflict is a very serious risk factor, partly for this reason we are negotiating to enter the countries of the Middle East region which look like a safe harbour in the short term.

Cyber risks for our company are still low, but will be increased, and we will take actions to reduce their impact. We have a separate company which is developing software for restaurant management. We have the abr+ application which is our own development. We have been developing the application for a year and a half, the total amount of investments in mobile development and the website amounted to about \$ 2 million. I hope that we will start to return this money next year. We ourselves create our own management module for the restaurant business. This system allows you to track any management shortcomings throughout the network, monitor and respond to feedback. According to our estimates, about 70% of quality issues are processed in the application. In 2023, we want to sell abr+ as a service to restaurant companies with 10 facilities or more. We start connecting via the cloud service in quarter 1, we will complete the integration and start connecting the system with the application and the management module in quarter 2. We will sell the product as a service, and in my opinion, we have good prospects. If cybersecurity is not very important for the restaurant business, then we will seriously work on it for this product.”

Askar Baitassov

abr

“Macroeconomic volatility - low level of exposure. We are more exposed to the political risks. If we talk about macroeconomic volatility, we work with the local products, we do not depend on imports very much, our business is flexible in this regard and has become even more flexible during the pandemic.

Inflation - low level of exposure. A price increase of 10% is not critical for our customers.

Our segment is not too exposed to the **climate change risks**. In this regard, it is difficult now for the luxury segment - consumers who pay increasing attention to climate change start to look for more environmentally friendly areas, move there, respectively, the high segment suffers more. Our consumers do not pay too much attention to the climatic factors, they are not economically ready to move.

Social inequality - I do not see any threat to our segment within the next 12 months and 5 years. We suffered during the events of January 2022, but we were compensated for the damage even subject to inflation.

Cyber risks - high level of exposure. We have already become victims of Internet scammers, they opened our bases, we had to pay for restoration, and over time, these risks will only increase.

Health risks - high level of exposure. The pandemic taught us how to work in quarantine, we have such tools as delivery, and we are doing everything to improve it, we are implementing IT solutions. We have a website, we are actively working on the application, we have our own couriers. There are many interesting IT solutions. When a person places an order, the system must determine where this person is located, which restaurant will prepare his/her order, and make sure that the check comes out just in this restaurant. This solution has been already working, and we have to implement it in a future application.”

Yuriy Negodyuk

Restaurant chains: “BAO noodle&sushi”, “Pinta”, “Tomato”, “The Banka”, “Paul”

“World Class is the only company in our structure that has globally felt the changes as a result of recent events. World Class is a Russian company, and it is clear that the latest stage of anti-Russian sanctions has affected both the company and the brand. Major players have left Russia, such as Les Mills, a New Zealand company that develops strategies for group fitness programs around the world. And World Class used to be a strategic partner of Les Mills. Accordingly, we, the citizens of Kazakhstan, will have to enter into a contract with Les Mills directly, this is already a blow for us, because before we have received these programs under a franchise agreement. Reebok, the official partner of World Class, left Russia, and even if we renew the contract, we will have different conditions compared to those that existed under the franchise.

As for the Almaty Marathon, the athletes influx has increased. We have a part of the Almaty Marathon events held within the schedule of the Kazakhstan Athletics Federation, and we cannot let Russian and Belarusian athletes into these events, because the International Athletics Federation has put a ban on their participation. On the other hand, Almaty Marathon did not suffer much because these athletes can compete in the amateur category without the logo identifying their country. The situation is the same in triathlon: a huge number of Russian athletes participate in amateur competitions, but, if they win these competitions, they will not have the right to participate in the World Championships in the USA. That is why 35 athletes presenting Kazakhstan took part in the World Championship last year; that was an unprecedented number. I am very proud of Kazakhstan athletes, but I think that sport as a whole has lost a lot due to such a situation, it has been made as a political tool.

The situation is unlikely to improve within the next five years. Even if hostilities cease in 2023, the recovery of the Russian and Ukrainian economy and sports will take much time.

Inflation may affect very much within a year and five years. In my opinion, the government of Kazakhstan does not cope with it. Prices for the most essential food products have risen by at least 15-20%, but nobody is raising wages.

Social inequality has a strong impact. The January events are its main example. I believe that the people would not have protested if their patience was not exhausted. The January events are a catalyst for social inequality, and it is likely to make progress.

Cyber risks have always affected our business. We actively went online during the pandemic and even received a silver button on YouTube, but there have always been cyber risks, and we still have the risk of losing information.

Health risks are a very serious threat. If quarantine is introduced again, we as a company may be ready for this, but the country's economy may not be able to withstand it - just look at the experience of China. Neither small, nor medium, nor large businesses can withstand another quarantine.”

Valikhan Ten

World Class Almaty

“Macroeconomic volatility - the minimum level. We work with the convenience stores, and food products are a category of goods that is in demand under any conditions.

Inflation - the minimum level. We are not manufacturers, our product enables manufacturers to optimise the costs and increase the sales. Metro, Aksai Nan, Dixy (the companies working with us) use the Smart Satu system. They connect our product under their own brand. In fact, the whole world for us now are boundless opportunities. Everywhere there are many manufacturers, distributors who need automation. It is long and expensive to do it ourselves, and we can launch our system for any company anywhere in the world within two weeks. We provide the manufacturers from different countries with the opportunity to collect the store orders in 24/7 mode.”

Bolatbek Ospanov

Smart Satu

“I think that inflation will affect us significantly within a year and moderately within the next 5 years. Now we see that the average bill has grown by 35% including due to the inflation and a large influx of Russians in Kazakhstan.

Cyber risks remain our focus both in the short and long term. We regularly experience DDoS attacks, this slows down the service operation a little, but we have learned how to deal with it successfully.”

Maxim Melnik

Satu.kz

“Macroeconomic volatility – high level of exposure because the current situation in the EU will have a negative impact on us. If we take a 5-year period, I think that we will be able to overcome this crisis and will be moderately affected. We have a reliable business, medicines are always needed, the same pandemic has shown how the pharmaceutical industry was ready to respond to this challenge. It provided vaccines, medicines, and found a solution to slow the spread of the disease.

Inflation within the next 12 months will have a significant impact. Inflation will be everywhere. Inflation in Europe is under 20%, it reached 22-23% in Kazakhstan in November last year. The inflation will be expected to slow down only in the second six months of 2023, so we expect a significant level of exposure within the next 12 months, and a moderate level within the next 5 years.

Climate change Strong fluctuations in weather conditions are expected to occur within the next 5 years, perhaps we will have to go through another pandemic.

Geopolitical conflicts A significant level of exposure will be during the next 12 months. In my opinion, now there is a change in dominance in the world, and the geopolitical conflicts will only escalate during the next 12 months. There are still painful issues concerning China, Caucasus, Nagorno-Karabakh where several geopolitical forces clashed, the conflict between Russia and Ukraine will most likely not be settled within the next 12 months. The geopolitical conflicts in Central Asia will grow due to the strong Islamization. We see that politicians are now appearing in different countries, who will likely destabilise the situation. The impact will be decreased to a moderate level within the next five years. Nobody wants World War III, but hybrid clashes, confrontations will continue.

Health risks It's hard to answer for the next 12 months. Now, it would seem that the common flu undermines people's health very much, exacerbates the course of any chronic diseases. Perhaps, we will have to face a new disease within the next 5 years, and there will be a high level of exposure. Given that humanity faces the challenge of antibiotic resistance, any new bacteria will spread rapidly, and a successful fight against bacteria depends on what the pharmaceutical industry offers. How we will deal with bacteria is a great question, if we remember the Covid scale. Moreover, half a century ago people neither actively contacted each other nor travelled around the world, and it was easier to eliminate the outbreak of the disease within the same settlement than now, when the world has become very crowded.”

Kuanysh Ospanov
Sanofi Kazakhstan

“Inflation – a high level of exposure, but I do not expect that, as a group of companies, we will suffer the financial losses in a consolidated way. Probably, some of our companies may have a negative financial result during the year. Now the inflation has an impact on the growing needs of the employees, reducing the solvency and creditworthiness of the customers. One of our companies is a lead generation company for the banks, and they are affected by the same factors, and in many cases we see a slowdown in the purchase of our services due to more conservative policies of the banks during crises and financial shocks.

Cyber risks – a significant level of exposure within a year and a high level within the next five years. We are constantly being attacked by cyber attacks. As we are not a financial institution holding the customer's money like a bank or a brokerage company, attackers mainly target our data or perform fraudulent activities to get a loan from us through a hack. This happens quite often, especially in Vietnam, as this is a new market for us with a lot of threats.

As a new player, we still lack experience there, and cybercriminals are targeting us. We have been building our anti-fraud circuit for many years in Kazakhstan, our information security is now at a high level. In the long term, in Vietnam, the risk level will increase as we see it: the more visible a company becomes, the more attention it will receive from cybercriminals.”

Alexey Sidorov
Silkway Group

“I think that **social inequality** is not the root cause, it is a secondary threat. There is a gap in society. The number of dissatisfied people exceeds the critical number needed to destabilise the situation. But it's more of a tool than a cause. It can be another reason, for example, the geopolitical or catastrophic struggle of clans associated with natural factors. Social inequality exacerbates the problem but is not the root cause. Inequality itself may become a trigger where there is a developed civil society, and dissatisfaction will be expressed in any radical changes when people unite and begin to defend their rights. This is not developed in our country, people are just dissatisfied with their lives on their own. If someone combines them and says: “The bad guy is over there”, they will run and break everything, but then this someone is the cause, and social inequality itself creates the ground but does not create a vector of intentions. The vector of intentions is either something external, geopolitical, or an internal struggle for power. There is a trend towards ever greater polarisation of society, this gap is growing, and people will start using it sooner or later. The more crisis phenomena will occur, the more this factor will be “shown”.”

Konstantin Kulinich
Mary Kay Kazakhstan

“Macroeconomic stability and predictability are important because it enables making any long-term investment decisions. The level of our company's exposure to macroeconomic volatility is quite low within the next 12 months, but the exposure will be high within the next 5 years.

Social inequality is a rather serious threat affecting the prospects for economic growth both in the next 12 months and in the long term. The gap between the rich and the poor affects the prices in the domestic market, consumption, and the market relations development between business entities. We observe the Gini inequality index and believe that the special attention has to be given to the wage differentials. **Geopolitical conflicts** have already had a significant impact on us. Almost all supply chains have been disrupted. I don't think that anything will change in 2023, and even in the next 5 years, the high level of threat will remain.”

Olzhas Junussov
Kazphosphate

“Macroeconomic volatility – a high level of exposure for our startup since we are talking about investments to be attracted. 2022 shows that many companies have changed their strategies. If earlier there was a focus on growth at any costs, and many investors observed as the business was growing, now they are looking at the profitability index. This greatly affects both the food delivery market and also all large companies because many of them are either unprofitable or are at the initial stage of earning. Macroeconomic volatility and the geopolitical situation in the world are the main risk factors for us.

Climate change – low level of impact, but our company takes a number of strategic actions to minimise the impact on the climate background. Glovo announced the achievement of the goal of carbon neutrality across the entire chain. To neutralise carbon emissions in Kazakhstan in full, the company reduced the use of unsustainable packaging, switched 30% of couriers to vehicles without an internal combustion engine, and reduced the food waste. Since 2021, the Glovo couriers in Kazakhstan have been using cooler bags made from over 80% recycled materials. 89% of packaging material, Glovo branded bags, boxes are recyclable.

Each flight for the Glovo employees is compensated by planting trees. We believe in environmentally friendly packaging materials and want to consolidate eco-initiatives not only in Europe within the next five years. We want to demonstrate what it means to be an eco-friendly company, how to act as environmentally friendly as possible and develop this culture in the countries where we are working. Over the next five years, the climate change factor will have an increasing impact on business development, so we believe that the environmental initiatives will become the standard, and both the consumers and the partners will select for the responsible companies.

Social inequality - a moderate level of impact, and a high level within the next five years.

The elimination of social inequality is one of the key tasks facing business development in the countries where the service operates. More than five thousand couriers are connected to the Glovo platform, 40% of which are located in the regions. The platform enables an adult person to receive additional income. The company has broken new ground in providing the couriers in Kazakhstan with the social guarantees. In 2022, maternity/paternity grants and sickness benefits were added. The company provides the couriers with the road safety training, and takes part in an initiators group to change laws related to traffic rules.

Today, courier incomes are growing because the market is growing, and the need for courier partners is also growing. Now the market for aggregators of both food and taxis needs the services of more couriers. If in the United States, where the aggregator market has existed for more than 20 years, it is only now becoming a courier market, this situation in Kazakhstan has developed over three years. Nowadays, a courier income in our country is higher than the average salary in the country. While Kazakhstan is one of the countries where tipping for the couriers is very reluctant.

Geopolitical conflicts – significant level of exposure within a year, high level within the next five years.

Cyber risks – significant level of exposure within a year, and high level within the next five years. The service operates with the GPS system, processes big data of users and couriers, so cybersecurity is one of the top priorities for us. With the growth of technology, big data, and artificial intelligence, the importance of cybersecurity will only increase.

Health risks - high level of exposure. COVID-19 has shown how such a pandemic can affect the business, and how quickly it can paralyse all interaction processes. As for the current pandemic, we have not learned how to combat the virus - we have learned to live with it..

Karim Boguspayev
Glovo Kazakhstan

“I think that we have a low level of exposure to **macroeconomic volatility** both in the short and long terms. We live with it, it is our reality. We have already adapted, it is not a shock or a problem for us. We form our entire development strategy based on this. Therefore, I believe that this does not pose a threat to us.

Of course we are subject **to inflation**, it causes us to adjust our plans promptly in the short term. The prices may change 2-3 times a year. We are trying to level it out within reasonable limits, but when the prices can grow by 15-40% or higher during the year, of course, this is a problem. We have learned how to combat it. Since we are manufacturers, we try to get special conditions, and thus level out this growth.

Typically, we have some problems when we supply our equipment to the projects, and they usually last 12 months to 2 years from design to implementation. It is quite difficult to deal with this, as the pricing can be changed a lot over this period, but we are trying to solve these problems. I hope that something will be changed or stabilised. As a rule, once a year, manufacturing companies increase the prices 0 to 5 percent, and this was a predictable increase, we could look ahead, for example, for 5 years, but now the price changes are practically unpredictable. I think the pricing situation will be stabilised in the foreseeable future.

Climate change for us has a minimum level of impact. We have been creating the products systematically and for a long time subject to the resources saving and emissions reduction. For these purposes, we have introduced technological innovations, produced and sold the equipment meeting all up-to-date energy saving requirements.

The January 2022 events, certainly, had an impact on us as well. Our warehouses burned down, we suffered material losses. A part of our property was compensated, but another part was not. This led to certain financial losses, we had to look for new storage areas. As a result, we acquired an industrial base and now have used it as a warehouse. I think that now the situation is stable, and it is more related not to the deep social problems, but to the struggle for power. I think that nothing like this will happen again within the next five years, there are no prerequisites for this in our society. Within the next 12 months and 5 years we expect the **geopolitical risks** from moderate to high levels, supply chain may be disrupted and new restrictions may be introduced. Now there is a different degree of control for all cargoes coming from Europe through Russia. The time frames for deliveries and obligations is increasing, and this leads to the need to invest in inventory. All this somehow affects us, and, unfortunately, it will not end quickly, this is not a year or two. We will feel the effects for the next five years for sure..

Mikhail Borisov
Fluidra Kazakhstan

“We have a minimum level of exposure to inflation, because we often do not sell our services, but are participants in transactions for the sale of air tickets, food delivery and other types of services.

Geopolitical conflicts, rather, have a short term impact because they affect the business valuation due to the changes in the global markets. Since we often raise capital against global benchmarks, our revenue-to-earnings ratios are declining due to the market changes. Therefore, it has the short term impact, but I hope that the impact will be less in the long term.

Cyber risks – a rather high level of exposure in the short and long term. We are regularly attacked, but our company pays much attention to data security. We also have the software from the third-party companies helping us to cope with these loads successfully.”

Nikolay Mazencev

Chocofamily Holding

“**Inflation** - low level of exposure. Our production base is located in Kazakhstan, and if there are no changes, then the risks are unlikely to be high, since the specialists' salaries are relatively small compared to the United States or Israel. Of course, there is a risk that our specialists may leave, but to avoid this fact, we must raise salaries. Our task is to keep the staff.

Social inequality – low level of exposure is within a year, and high level is within the next five years. We have already had a precedent as the Kantar events and cannot exclude the recurrence.

Geopolitical conflicts - high level of exposure. They will occur in our region due to the problems of access to the water resources. For this reason, the conflicts have still happened today, the countries cannot agree among themselves. The level of almost all rivers in Kazakhstan has decreased - I am from Pavlodar and I see how shallow the Irtysh has become over the past five years. The use of the transboundary rivers is not very efficient, and all this will cause serious conflicts within the next five years.

Cyber risks – high level of exposure, and it will be higher, the more items are digitised. There is no cyberethics in Kazakhstan, no one teaches this, and a person is always the main problem in cybersecurity. Our company has been attacked, but since we are a cloud service, it is difficult to hack it. If we kept the servers locally, the risks would be very high.

Health risks - high level of exposure. I can say that the people have worsened problems with blood vessels after the pandemic. Many people have type 2 diabetes, atherosclerosis and cholesterol plaques after Covid suffered. People over the age of 40 have serious health problems about a year after Covid.”

Doszhan Zhussupov

Cerebra

“**Macroeconomic volatility** has affected the financial model of the company through the instability of interest rates. We felt this very strongly last year. We are the exporters, we borrow in dollars, and interest rates in dollars have risen a lot. I can't even imagine what Kazakh companies are doing when the deposit rate in Kazakhstan for “individuals” reaches 15% in tenge, it's even scary to think at what percentage the Kazakh companies receive loans - 20-25% per annum. It is not clear what kind of business should be in order to repay such a loan. The second source of the macroeconomic volatility is the prices for the raw materials and base metals. Copper is often referred to as “doctor copper” because it is highly associated with the growth of the global economy. As soon as the prospects for economic growth decline, respectively, the price is immediately adjusted. We think our level of exposure is moderate.

Inflation, of course, has a negative impact, as it leads to an increase in the cost of production, an increase in capital costs. For example, we analyse new projects and compare the costs of five years ago - capital expenditures for similar projects have increased by 20-30%. At the same time, inflation is often associated with devaluation, in such a case the devaluation softens the inflationary pressure on the exporters. Due to the fact that these processes often run in parallel, the level of exposure can be considered as moderate.

Social inequality is the social, economic basis for any serious disturbances. Therefore, it is not an immediate risk for our company, but a risk for the entire country and the entire economy. The level of exposure is high, the social inequality is very acute in our country, stratification of society is tangible, and this is the social basis for indignation, disturbances and similar. The January events a year ago are probably the result of the great social inequality. We faced this a year ago, why couldn't we face it again. Such changes are gradually accumulated, and the effect is intermittent, when a reason appears, an outburst will occur. The only right way is to develop an efficient and fair economy that enables us to create new jobs and support the social sphere.

Geopolitical conflicts - high level. We have never believed in their possibility, but now they have become a reality.”

Marat Seitkulov

Caravan Resources

“The level of exposure of our company to the climate change threats is minimum. It may grow within the next 5 years but not significantly. We are currently working on an ESG strategy and are trying to understand what it will give us. We are neither a mining company nor interact directly with the climate, like similar sectors, do not enter foreign markets, nor raise capital. Nevertheless, we understand that we deal with a society and it is necessary to give something but not just to earn. We have always been socially responsible beyond the ESG strategy. Now we are analysing all our processes. We finance sports, perform any charitable activities, have a gallery financed by us, we respect gender equality. We have a modern office, we try to use lighting consciously, sort the waste and use environmentally friendly materials. We will continue to work in this direction.”

Bekzhan Pirmatov

ForteBank

“**Inflation** – minimum level of exposure within a year and five years. We work in the food delivery segment, and they will always be in demand. We have not conducted an in-depth study on how inflation affects our company now. We, as a growing company, continue to grow by tens of percent regardless of price increases. There is an increase in prices for some key products but we do not feel it ourselves. Nevertheless, we do not consider ourselves to be in the economy-class segment and believe that the people are trying to maintain their usual standard of living.

Social inequality – high exposure within a year and five years. This issue remains very relevant in Kazakhstan. We do not feel this directly, but there are quite high risks.

Health risks - high level of exposure. If assessed as a risk that may arise, then, as the pandemic has shown, it is difficult for humanity to adapt to such situations.”

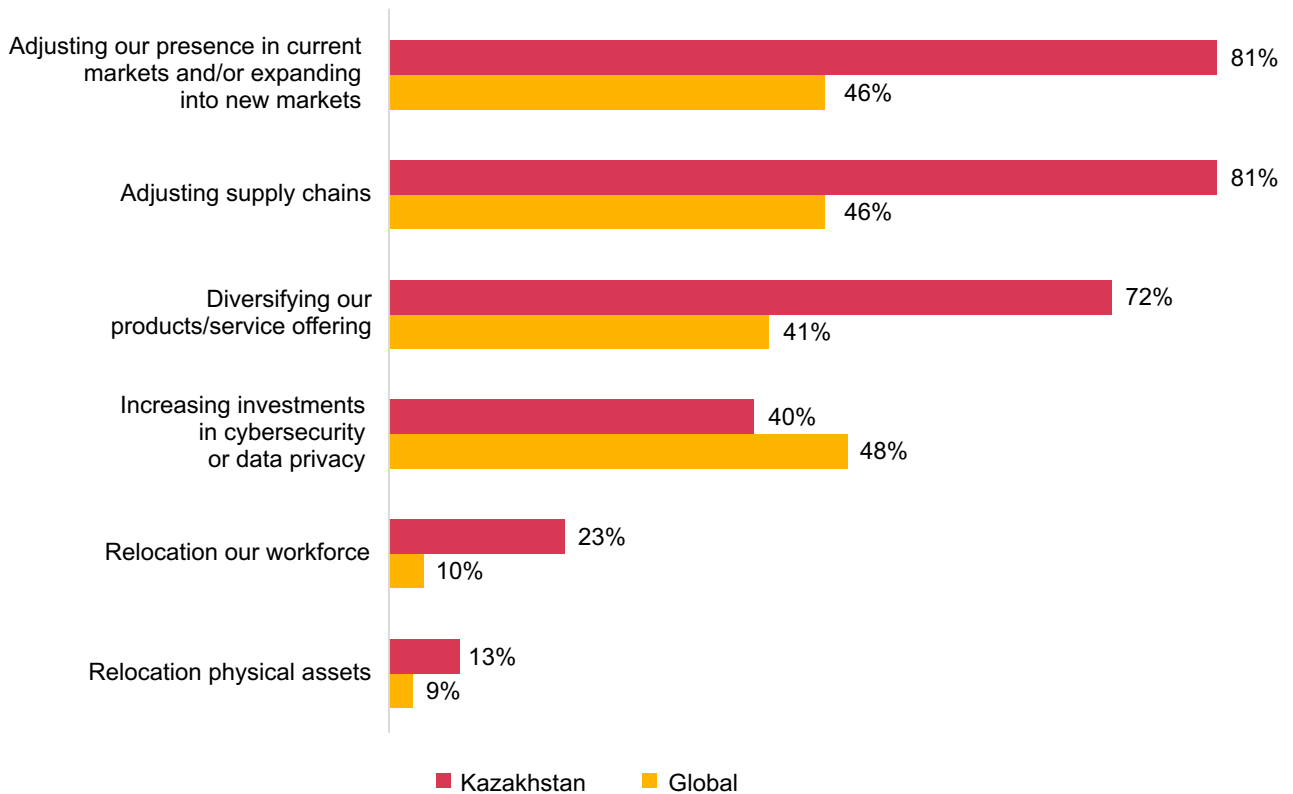
Alexey Lee

Arbuz.kz

Steps aimed at mitigating the impact of the geopolitical conflict over the next twelve months

The effects of the geopolitical conflict between Russia and Ukraine are forcing leaders around the world to take actions to mitigate their impact. 81% of Kazakhstani entrepreneurs adjust their presence in the available markets or consider entering new markets, as well as adjusting supply chains. The number of such entrepreneurs is about 46% over the world, respectively. 72% of Kazakhstani respondents and 41% of respondents worldwide diversify the products and services. 23% of Kazakhstani entrepreneurs and 10% of entrepreneurs worldwide are considering the relocation of their employees or have already relocated. The main action to mitigate the geopolitical conflict effects among the entrepreneurs around the world is to increase the investment in cybersecurity (48%). This action ranks fourth for the local entrepreneurs (40%).

Actions to mitigate against exposure to geopolitical conflict in the next 12 months



“We are constantly striving to optimise, diversify the products and services, adjust the market presence and supply chains, as well as search for the suppliers. The beginning of 2022 was difficult: the January events, military operations in Ukraine in February. We had an additional burden on the working capital. There was a problem with the currency conversion, moreover, all our suppliers began to switch to minimum deferrals or prepayments. Moreover, we were forced to adjust and reorganise the supply chains, the product cost structure, as well as revenue and expenditure parts. Now our financial structure is healthier and more adapted. Another important point is the diversification of our physical assets.

We plan to build a plant in Uzbekistan so as not to concentrate all production facilities in one location. Now we have a need for new production facilities as the current ones are no longer enough. Given all aspects of the international geopolitical situation, we decided to build a new factory in a neighbouring country, which will allow us to redistribute the production capacities, as well as diversify the risks.”

Bernard Vavrzhin
Mareven Food Tyan-Shan

“Before the outbreak of hostilities, we extensively studied the projects in Russia, we had not yet begun to invest, but we thought about it thoroughly. Now it is almost impossible to implement the projects in Russia. We understood the concept of the Russian market where we focused and wanted to develop, but now the situation has developed so that it is not advisable. We are currently observing and will focus on Kazakhstan.

The supply chain adjustment hasn't affected us much, but it is happening for many companies. For example, we have partially reoriented the products. Earlier, the products were delivered to Europe, now to China, because the prices were increased and the European route was extended. Our products are quite expensive, that's why it does not critically affect us, but such problems exist.”

Marat Seitkulov

Caravan Resources

“We are considering the relocation of our workforce, but not in terms that we will transport it somewhere. We provide our employees with the opportunity to work from anywhere globally. This is not the most optimal type of cooperation, of course, there are some restrictions - this concerns the discipline and the ability of specific employees to perform assigned tasks, but at the same time, these are new opportunities for the staff. The flexibility of the people's location is important to us. When the January events took place, we connected 90% of people to call centres from the regions via cloud infrastructure. Many of them continue to work in this format and do it well. Initially, there were some difficulties with motivation, but we successfully learned how to manage this model.

We plan to diversify our products and services. We are clearly moving in the direction of small business, there are accompanying opportunities at the junction with our retail orientation, and we will also seriously enter the transactional business. We do not plan to be a monoliner in the medium and long term and to work only on consumer lending, we will expand.”

Kiril Bachvarov

Home Credit Bank

“Relocation of physical assets - we had the data centres located in Russia, we have relocated them. We are also adjusting the supply chains due to the sanctions. Workforce relocation - we used to have all business processes gathered into one generous area. For example, the logistics process, we worked in Kazakhstan through our logistics company in Russia. Due to the fact that Russia came under the sanctions, we had to arrange for other supply channels. When Noventiq sold its Russian business, the company offered some members of the organisation who worked in international business to move to other countries so that they could keep their jobs and use the future opportunities while working in a global organisation.

Increasing investment in cyber security and data privacy – globally, we have a group of specialists responsible for dealing with the personal data.

Diversification of products and services - As a global company with hundreds of relationships with suppliers from global IT companies, we have a very diversified portfolio of solutions and services, that's why we can always offer different options to our customers.”

Anna Dyu

Noventiq

“We began to greatly and deeply deal with localization of the production and assembly in Kazakhstan. As the medical equipment sector is highly regulated, there is a risk that when a company closes a production facility, we both lose the product and also waste time searching for another manufacturer of the components and registering them. We are transferring a part of the testing and registration to Kazakhstan. When you are the owner of a registration certificate and a product, changing certain technical parameters is a matter of a couple of months. When you change manufacturers, it takes a long time. There have already been cases confirming the correctness of this approach.

Diversification of products and services - we are changing the countries where we purchase the components: if five years ago we did not consider Chinese manufacturers, now we have already started working with them.

Entering the new markets - we want to systematically reduce the share of sales in the Kazakhstani market. Now it is 60%, the task for the next five years is to reduce it to 10% by increasing the share of other countries.”

Yerkin Dlimbetov

Ordamed

“It seems fair to say that we are a multi-domestic company, we have long enough gone beyond the domestic market. Now such companies are servicing the trends of isolation of the regions in the transition from the previous global world order. Such companies – for example, Kaspersky Lab, Alibaba, Tata, Lotte, Telegram, Spar and others – correspond to the global level in terms of the quality of strategy and management, but they have serious regional advantages, they serve the regional markets well. Therefore, even if there are serious conflicts in individual countries of our region, we do not leave them completely, but redistribute the assets and investments based on the current situation. Therefore, for each period, we plan such proactive measures as adjusting the supply chains, diversifying the products and services, adjusting our presence in the available markets or entering any new markets.”

Kairat Mazhibayev

Resmi Group

“We regularly adjust the supply chains. Given our focus on online trading, we will continue to diversify the products and services, as well as in a qualitative manner consolidate our presence in the existing markets - regions of Kazakhstan and Uzbekistan.”

Azamat Osmanov

Magnum Cash & Carry

“We have revised our business model and are looking for new opportunities for growth and development. Fortunately for us, we had no plans to enter the markets of Ukraine and Russia, so we did not change the strategy to reduce dependence on these markets, which were subject to the risk due to the conflict.”

Nurbek Sadykov

qCloudy

“Supply chain adjustments are applicable to us. This factor is taken into account when we plan our strategy further. Increasing investment in cybersecurity or data privacy is a trend that no online company can ignore. The products and services may be also diversified, and this is one of the factors that also come from the geopolitical situation. Our presence in the available markets is no longer adjusted, everything has already been done here.”

Cristina Doros

Visa Central Asia and Azerbaijan

“We are strengthening our presence on the market in our Eurasian region. Increasing investment in cybersecurity and data privacy is one of the top 3 priorities for us right now. Stada in Russia has two factories and is one of the leaders. Like many other companies, we have significantly reduced our investments due to ongoing geopolitical events. However, I have not seen any pharmaceutical companies leave the market. Perhaps we all have one thing in common - our value of care for the health of patients, like all medical professionals and pharmaceutical companies around the world. That is why reduced investments in Russia has led to a suspension of development and modernization of production, because now this is a risky place for the investments. On the other hand, we continue our work in Ukraine, and created legal and commercial entities in all countries where we operate as part of the new independent region of Eurasia. Our territories are the countries from Europe to Mongolia. If you start from the east, then this is Mongolia, all five countries of Central Asia (Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Turkmenistan), the Caucasus - Azerbaijan, Georgia and Armenia, Moldova and Belarus. It should boost our presence, strengthen our commitment to the region and consolidate our positions in these 11 countries. Undoubtedly, this military conflict has affected Stada's business model in the Eurasian region. But I would say that there is an advantage in this.”

Arminas Macevicius

STADA

“The level of our exposure to the geopolitical conflicts is quite high. Due to the fact that in 2022 the citizens from other countries moved to Kazakhstan in great numbers, it not only led to an increase in consumption, but also provoked a shortage of certain categories of the goods. Before the start of the conflict between Russia and Ukraine, we considered entering the Russian market, but now this issue is temporarily closed. Nevertheless, we are actively considering Uzbekistan and plan to open an office there this year. Despite the fact that business in Uzbekistan has not been yet completely transparent, we have held several meetings with Uzbek colleagues on the management of commercial real estate over the past year. They asked for advice, as they do not have enough full managerial experience, and we, in turn, see the potential for our development in this.”

Alexei Khagai

TSPM

“We are constantly adjusting the supply chain. We are considering adjusting our presence in the existing market and entering any markets. In Kazakhstan, we continue to do the restaurant business, but we will slow down a bit due to the fact that we are preparing for the launch of the hotel. We will gradually move from the restaurant business to the hotel business in the domestic market. The scope of restaurant launches, most likely, will be slightly decreased for this reason, because we will transfer the investments.”

Askar Baitassov

abr

“Physical assets relocation - we are considering entering the UAE market and transferring part of the assets there - this is one of the options in case problems arise in Kazakhstan, as in Russia.

Relocation of the employees is not considered, on the contrary, in 2022 we hired several employees from Russia. They originally considered moving to Kazakhstan as a temporary solution, now we can say that they plan to stay here for at least a year, especially when talking about a second wave of mobilisation in Russia.”

Yuriy Negodyuk

Restaurant chains: “BAO noodle&sushi”, “Pinta”, “Tomato”, “The Banka”, “Paul”

“Supply chain adjustment - we are fundamentally changing supplies and partners. There may be a question of strengthening the brand and physical assets.

Diversification of the products and services - I have one golden rule: we come up with new products year after year in our entire ecosystem, not just in World Class. In 2022, we had three new products in Almaty Marathon, two in World Class and one in cycling.”

Valikhan Ten

World Class Almaty

“We have adjusted the supply chains, and have at least two routes bypassing Russia, which we've now considered. There's been some relocation of the workforce, adjustment of the presence in existing markets and entry into new markets. We withdraw from the certain markets and transfer the business. As for entering any new markets, we rely on top destinations, for example, America. We are in the process of buying a new business.

As Sanofi, we left some countries. Medicine will be provided because our goal is to serve our patients, but as a company we will be present in fewer markets. We try to focus on fairly large markets, and we will make a decision to leave smaller ones.

The Kazakhstan office works for the CIS region, and we will leave on April 1, 2023. The company's management has decided to withdraw from the entire CIS region. We are transferring our business to Stada which will represent Sanofi in this region. Our employees had been informed about this several months before the decision was made.

They have the opportunity to apply for vacancies that Stada has. Stada promised to consider Sanofi employees for its vacancies first of all and ensure that Sanofi employees are hired as much as possible in their company.

At the same time, Sanofi has no plans to leave Russia. This is a strategic market with huge sales and we do not consider leaving it.”

Kuanysh Ospanov

Sanofi Kazakhstan

“We are considering options to expand our presence in Central Asia. Until recently, it was convenient for us to rely only on our branch in Kazakhstan, but perhaps it's time to diversify and expand our geography.

We are increasing our investments in cybersecurity. So far, we have had no problems at the global level. But we know about the phenomenon called the "survivor bias". Therefore, the company is trying to stay ahead of the requirements of the situation and already now invest resources in creating effective protection and reducing risks. It is reflected at the level of the region and ordinary users in how active and tough our information security is. So many rules and restrictions have come, that we hardly manage to adapt the business to the next requirements at the level of equipment, employee training, communication rules outside and inside. It's hard, but it's good for your health.”

Konstantin Kulinich

Mary Kay Kazakhstan

“I plan to launch a new fitness product for the American market, this is just the diversification of the geopolitical risks, including Kazakhstan political risks.

The higher the dollar is, the more expensive it is for us to buy Italian equipment. We are thinking about switching to Chinese equipment, which is cheaper, so we are considering adjusting the supply chains. China can do something very well if there is a government program subsidising it. For example, they have been implementing a government program to support electric vehicles for 15 years, and now they are already better than Tesla. But for some reason, such simple things as fitness equipment have not happened yet. China is evolving so fast it's a matter of five years.”

Iliyas Issatayev

Invictus Fitness

“We are constantly looking for alternatives, adjusting supply chains to mitigate risks. We pay attention to the diversification of our business, in particular, we are starting to develop the production here. We have agreed with our colleagues in Spain that we will start producing some of the equipment locally so as not to depend on all global processes. In addition, the Fluidra group has a lot of products and areas that we have not yet developed in Kazakhstan due to the fact that the market has not yet been ready. But now, I think the time has come, and any new products will appear in our product line.”

Mikhail Borisov

Fluidra Kazakhstan

“We, perhaps, will relocate the employees, raise money and make additional investments in cybersecurity. We want to certify and create an additional cyber security officer position. It takes a lot of money, as there are few specialists of the appropriate competence in Kazakhstan, but it is necessary. Entering the new markets is very critical. We either grow or stop and try to work with the government contracts in medicine. But the last option is boring, I would like to try to accelerate.

Service diversification. Our main product is a stroke diagnostic software. Now we are investing the resources in the diagnosis of traumatic brain injuries, collecting information on Alzheimer's disease, Parkinson's disease, multiple sclerosis and brain tumours. Currently, our product is used only in emergency cases when a stroke has already occurred, and we try to get a person out of this condition. We are working to ensure that Cerebra can also be used for prevention, but there are other tasks, for example, to find aneurysms that can burst and cause haemorrhage. We try to discover such things.

Our product is used in 26 hospitals in almost every city. Statistics show that in the case of a stroke, the chances of a favourable outcome are higher in Almaty, Astana, Karaganda, East Kazakhstan Oblast and Shymkent. The situation is worse in other regions, as there are not enough qualified specialists, in a word, there are many problems. If a person has a stroke in Almaty, he/she will most likely go through our program. When the physicians want to use the technologies, they try to use any means to improve the patient's condition. When the physicians are conservative, they may refuse to use software even if it is already installed.”

Doszhan Zhussupov

Cerebra



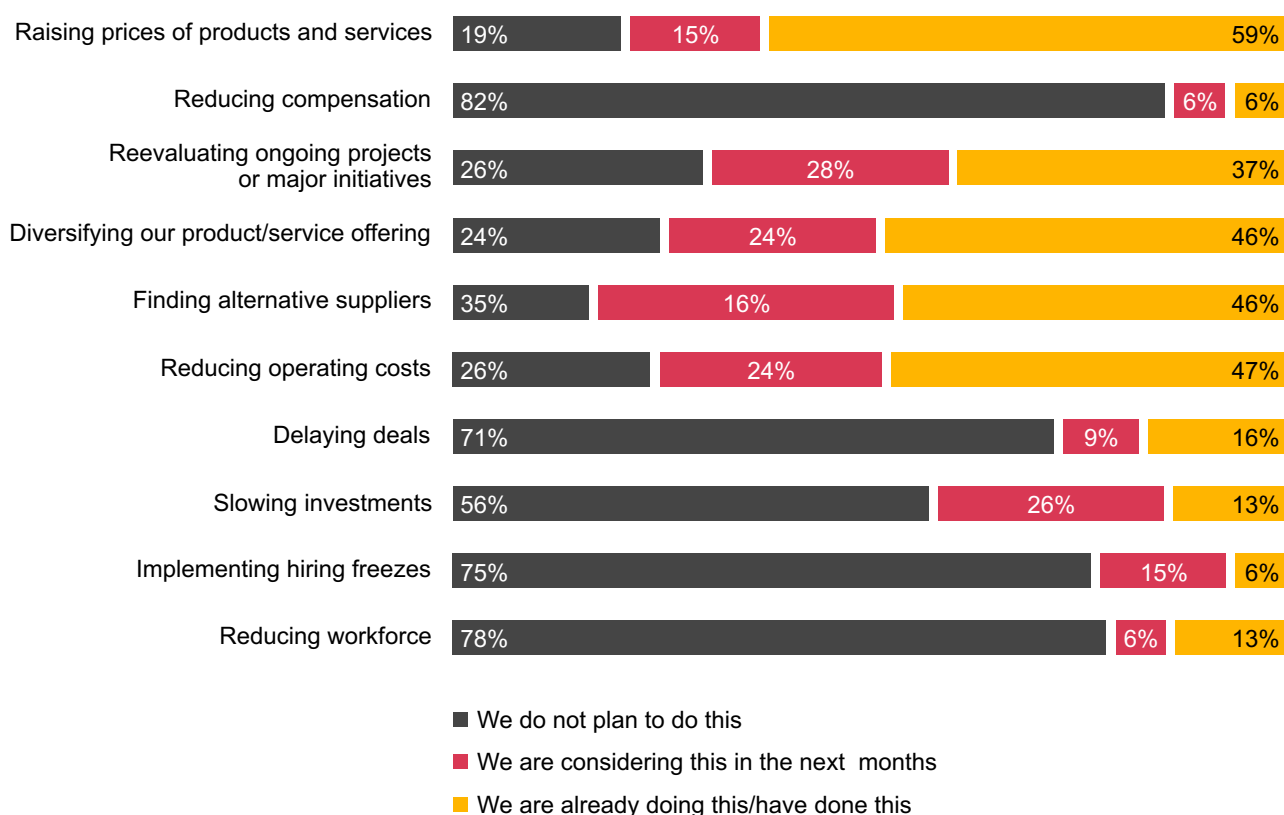
Theme

Actions aimed at mitigating the effects of potential economic problems and instability over the next twelve months

Due to the current uncertainty and instability, businesses are forced to take any actions to maintain profitability and reduce the costs. The most common measure among the actions already taken by Kazakh businessmen is the increase in the prices for the goods and services (59%). It is important to note that to a greater extent, according to the respondents, this is due to the increased prices for raw materials, rising costs due to supply chain disruption and inflation, margins remain the same. 47% of respondents have already reduced the operating costs, and 24% are considering it in the future. 37% of Kazakhstani entrepreneurs have already re-evaluated large projects and initiatives (namely, the cancellation or suspension of an investment project). 82% of CEOs have no plans to reduce their compensation (wages and bonuses). 13% of respondents have already made staff cuts, and 6% of respondents are considering such measures.

Actions to mitigate the effects of potential economic problems and instability in the next 12 months

Kazakhstan



“We have already postponed the deal - we planned M&A (M&A - mergers & acquisitions) in Ukraine. We have not revised the prices for our services, our profitability is growing primarily due to the increase in volumes.”

Mikhail Lomtadze
Kaspi.kz

“We have already increased the prices for the goods and services. The main cause is commodity inflation. If earlier we had increased the prices according to the normal inflation rate at once for the entire product line, but last year we were forced to increase on a case-by-case basis depending on the increase of prices for a particular raw material, there were about 4 such increases. However, the percentage of price increases was lower than the increase in the commodity prices. But we managed to compensate for this, and the operating profit was about 6%.”

Bernard Vavrzhin
Mareven Food Tyan-Shan

“New industry players from related industries can make a big impact. New technology companies want to change the medical equipment market - it's less about technology, and more about regulation, through which everything is done to restrict the competition. But we are still afraid of new players.

Breakthrough technologies - big influence. For example, there was news about artificial intelligence that synthesises amino acids, which means that new medicine would be presented for us and artificial medicine would appear. It will not be regulated, but people will use it.”

Yerkin Dlimbetov

Ordamed

“We consider the current situation as a time of opportunities. When everyone is buying, we are selling; when everyone is selling, we are buying. For us, these are not just popular thoughts. We are accumulating our strengths and resources to be active in difficult moments. We are an entrepreneurial corporation, and otherwise we will not be able to compete with the international companies, and we cannot always compete with the local companies in entrepreneurial speed and flexibility. Therefore, we are not planning to reduce the staff, slow down investment, impose a moratorium on hiring, delay transactions - everything is exactly the opposite. We are reducing the operating costs, but not in absolute terms, but as a percentage of sales.

Search for alternative suppliers - we have already done it and continue to do, as well as diversify the products and services, re-evaluate the current projects and major initiatives. Due to the geopolitical situation, we do not leave any markets, but redistribute our resources according to the situation. We are increasing the prices for the goods and services – this is how we respond to the inflation and changes for the worse in the supply chain that affect not only us, but also our partners. At the same time, by increasing the prices, we try not to outpace inflation.”

Kairat Mazhibayev

Resmi Group

“We have already cut the staff by about 20% for the first time during the entire 15-year period. This has mainly affected the head office and management. Our staff was originally formed for active growth, but in the current situation, given the high cost of the capital and inflation, we have suspended expansion and investment in new regions and projects. For a number of positions, we have introduced a moratorium on hiring, but only for some departments. We have also moderated investments and have already postponed several transactions. Due to a 9% year-over-year increase in the rate, we re-evaluated a number of current projects and initiatives by closing some regions and focusing on cities with a high ROI (“Return On Investment”). As for increased prices for the goods and services, we are not increasing our margins and the commercial policy has not changed. Our price leadership model is an unchanged basis, only the cost of goods has increased. We will not raise the markup, especially for the essential goods. Reducing the operating costs, finding the best suppliers and diversifying the products and services is our daily work.”

Azamat Osmanov

Magnum Cash & Carry

“We have already introduced a hiring freeze, it will effect in quarter 1, 2023, and we will then decide whether to extend or cancel it. We do not plan for the long term, it is easier for us to make decisions on a short-term basis.

We do not plan to increase prices for services, but we work in a business where we have either regulatory or market restrictions, always “between the beetle and the block”.”

Alexey Sidorov

Silkway Group

“We have already re-evaluated current projects and major initiatives, and reduced some of our investment projects. We had the loka project, this is a processing company, we invested in it for about a year and a half, and last year we decided to stop financing and transferred our shares to the main manager - the person who came to us with the idea. We handed over the entire scope of investments made by us, and then he will independently implement the project. We made such a decision, since it is necessary to invest in significant amounts up to five years, this is too long a period for us in the current conditions.”

Nikolay Mazencev

Chocofamily Holding

“We have already re-evaluated and postponed some major initiatives and plans. We plan to build a new class A warehouse in 2023. Despite the fact that we acquired land and prepared everything to launch the project, we have decided not to start the construction due to the market volatility and unpredictable logistics flows. According to the project, construction will take two years, and if Almaty “goes out” of the logistics hub during this time, it will be pointless.”

Ilya Martinenko

Avrora Holding

“We are searching for alternative suppliers. In the early months of last year, the supply chains were broken down, the prices skyrocketed, and when the old batches ran out, new ones were more expensive. At that time, the supply chains were actively rearranged, but then the situation stabilised. Now, we will consider different options for any large projects with regard to the digital service providers and for goods, contract works.

In the food segment, one of the main issues for Arbus.kz is we actively support the local farmers and manufacturers both by bringing them to the platform and also by providing for the marketing support, in some cases we give more stable contracts to the small suppliers who are engaged in the cultivation and production of natural products. If we are talking about the “medium” and “medium+” segments, then last year we had one of the pilot projects. We supported a small watermelon producer, he grew a batch of organic watermelons under Arbus.kz, and his product was a great success. We supported it with a contract for the future harvest, marketing, and a similar situation was with a Kazakhstani asparagus producer. The trend is to support small farmers all over the world because they produce their products with love.”

Alexey Lee

Arbus.kz

"We consider a hiring freeze if economic conditions are dramatically changed.

We raise prices because inflation forces us to do so."

Arminas Macevicius
STADA

"We do not plan to slow down investments, we are opening new restaurants in Almaty and Astana.

We do not plan to reduce compensation payments. On the contrary, we are raising salaries and improving the social package. For example, all our top managers, about 20 persons, receive an MBA at AlmaU at the expense of the company as part of a special monthly program."

Yuriy Negodyuk

Restaurant chains: "BAO noodle&sushi", "Pinta", "Tomato", "The Banka", "Paul"

"We do not consider reducing the workforce. We have already optimised the structure as much as possible, made a SaaS cloud product, and suppliers in all countries are implementing it on their own. We have 15 persons to develop and 10 persons are in the sales team. On the contrary, we will expand the staff. We used to hire the sales agents, now we are hiring highly qualified English-speaking staff with strong knowledge of technology, so that they can sell Smart Satu and advise the customers around the world. We sell, implement, consult and support.

We do not plan to increase the prices for the goods and services. Commission from the supplier turnover, orders, payments - this is our pricing model, historically and evolutionarily proven. We have proved that Smart Satu is a quality product, more than 10 thousand stores place orders through it in different countries. The platform turnover over the past few years has exceeded \$110 mln.. More than 1.7 billion B2B orders have been placed by the stores. By implementing our solution, we increase sales of manufacturers and distributors, as well as provide flexible reports on our own sales in Microsoft PowerBI analytics."

Bolatbek Ospanov
Smart Satu

"We will not diversify. On the contrary, we focus on business. Previously, Sanofi had 37 brands in its portfolio, including 16 brands that were promoted. We withdrew 8 brands, but grew the business. We focus on where we can win. Where the business is small or very local, we try to sell or transfer it to other companies that may be interested in it."

Kuanysh Ospanov
Sanofi Kazakhstan

"We raise the prices, inflation is one of the main reasons. We import our products, so we completely depend on currency fluctuations. Fortunately, we have a good margin of safety, so we can make all the necessary adjustments gradually, so that our customers and partners have time to adapt to the new reality. The financial pressure on the company has increased, but we retain the trust of our customers. In general, this strategy has fully justified itself, and as a result, we are growing, outpacing the inflation rates and quite smoothly going through all the ups and downs in the economy."

Konstantin Kulinich
Mary Kay Kazakhstan

"We are already diversifying the products and services in the local market. We have opened a new fitness format for women in Astana - Invictus Girls, and now we will develop this network in Almaty and plan 5-6 locations, and 3 - 4 locations in Astana."

Iliyas Issatayev
Invictus Fitness

"We have already reduced the workforce, not to decrease the operating costs, but to optimise as our business evolves. We have removed some resource-intensive channels, such as presence in stores, due to inefficiency and lack of prospects for further development.

We have almost completed the search for the alternative suppliers. On the one hand, after the sanctions were imposed, we have reviewed and replaced the Russian suppliers. On the other hand, which is more important for me, we have completely transferred IT development to Kazakhstan. Previously, the main system was developed by a Czech company, now everything happens locally."

Kiril Bachvarov
Home Credit Bank

"Introducing a hiring freeze in offices - we do not consider it currently but if the economic situation worsens, this is one of the measures that we will take.

We do not consider reducing the operating costs. Our operating costs are a partnership with couriers, we direct 75% of the company's income to it, but we cannot deliver without couriers, so we are increasing this funding item. Re-evaluation of current projects or large initiatives - we are moving more towards searching for large initiatives, bringing the new projects and services to the market, but we do not plan to reduce costs for a particular project, which, in our opinion, will be effective on the market.

We plan to raise the prices for the service products and services within the next 12 months. About 20% of our customers use the monthly Prime subscription. There are champion cities where this function is highly developed, there are cities with higher ratios of cash rather than cards and this index is lower there. Some cities may provide a user with a limited number of supermarkets and a range of food products, and we understand that the user can buy a subscription applying to all delivery categories, but in fact only one category will be ordered to a greater extent. Where the offer of other sectors is greater, the subscription share is higher."

Karim Boguspayev
Glovo Kazakhstan

"Operating costs reduction - we have been already implementing the process management in the company for the second year and plan to complete it this year. This is a quite capacious process in terms of investments, but we do not stop it, and as a result, we must optimise the operating costs.

Price increases. We have already increased the prices, we have to do it again. The reasons are the increased cost of the raw materials, the increased cost of energy and/or changes in logistics chains. It is not only our company that faces these problems. All companies have to work in new conditions. Someone tried to level out the cost for the end client with internal reserves and did not change the prices. Such companies immediately raised prices by 40-50% in 2022. We smoothly adjusted prices by 5-10% several times during the year subject to changes in the cost of raw materials and other costs."

Mikhail Borisov
Fluidra Kazakhstan

“We are searching for alternative suppliers, the current situation has affected us. We use and consume a wide variety of IT services including software. Previously, the service providers of any large vendors dealing with the CIS countries were located in Moscow. Now we should find the suppliers outside of Russia.

Operating costs optimization is a continuous process, we are a growing organisation and despite the crises, we must always optimise. Last year, we optimised the network and closed 8 branches. We invest a lot in the digitalization which helps to improve the processes, customer experience and, to some extent, to reduce the operating costs. Now we have about 25% of retail loan sales that are digital. 60% of clients come to the branch, get a consultation, and independently complete the process in the application. In 2023, we aim for 45-50% digital sales with no branch visits.”

Bekzhan Pirmatov

ForteBank

“Inflation outpacing the available opportunities will hold back some investment programs. This applies, for example, to the head office repair and other less important investments. At the same time, we have re-evaluated individual initiatives and prioritised the next phase of automation and intensified training programs for the employees to increase productivity and deepen the diversification of the services being offered to the market.”

Alexandra Bekisheva

Engineering Company “Kazgipronefttrans”

“In 2022, we hired a great number of employees. Now we have a sufficient number of the staff and do not plan to hire new ones on the former scale. In 2023, the Central Asian office will be focused on maximising the profits.”

Murat Alikhanov

1Fit

“Due to the geopolitical situation, the sanctions imposed against Russia and the subsequent violation of the established chain of cargo transportation through the Russian Federation, we were faced with the fact that it was necessary to quickly find any alternative routes and suppliers, and establish steady cargo flows along them. Undoubtedly, it was a difficult situation, as there were not so many suitable suppliers meeting our requirements for new directions.

As for the diversification of our services, today we see the prospect for TITR (*Trans-Caspian International Transport Route or Middle Corridor, the Middle Corridor that runs through China, Kazakhstan, the Caspian Sea, Azerbaijan, Georgia and further to Turkey and European countries*) and CKTI (*China - Kazakhstan - Turkmenistan - Iran railway route to deliver the goods from China to the markets of the Persian Gulf countries*).”

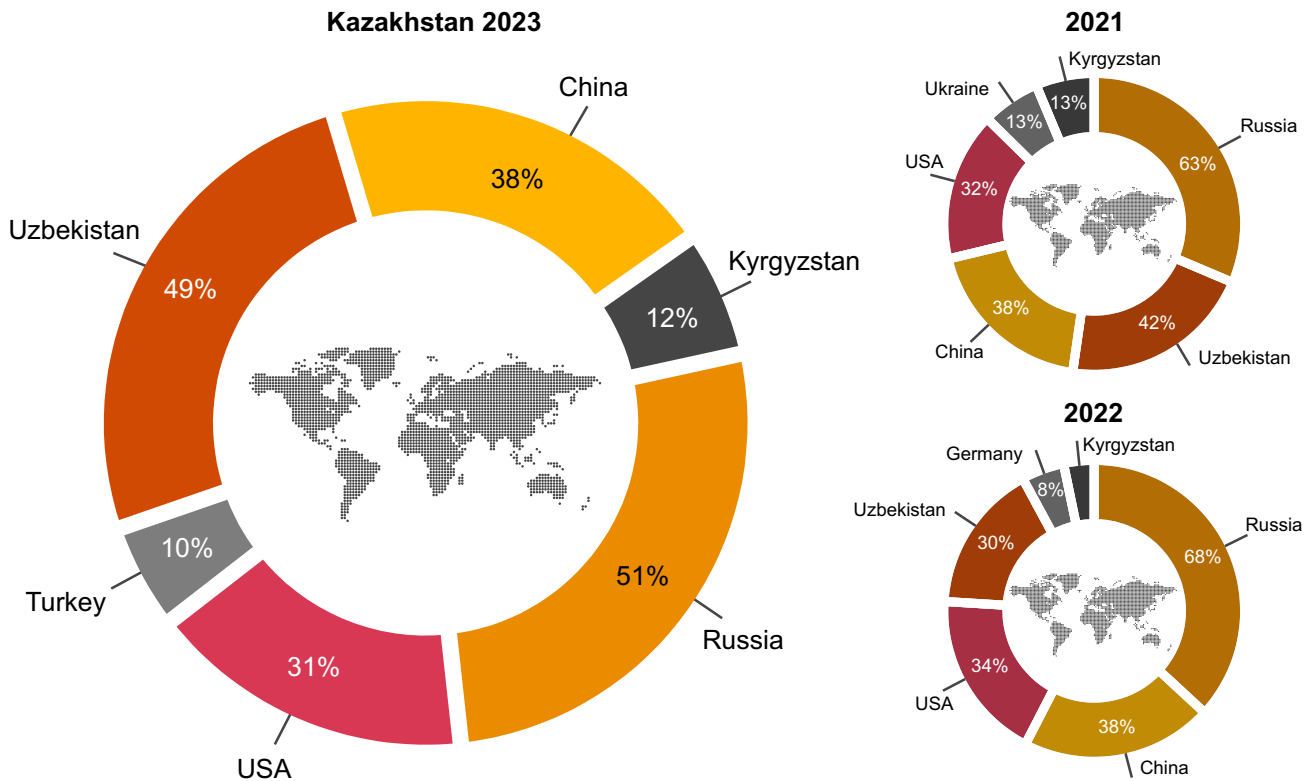
Marat Zhuman

Atasu Group



The most important countries for business development

This year, the top 3 most important countries for revenue growth for Kazakhstani companies are: Russia - 51%, Uzbekistan - 49% and China - 38%. Russia retains its leadership, while Uzbekistan ranks second as the closest and one of the largest promising developing countries in the Central Asian region. China remains one of the leading manufacturing countries and trade partners of Kazakhstan.



“USA, Ukraine, Russia

The USA has an impact on the global economy, and Ukraine and Russia are at war. War, of course, negatively affects the economy, business and the whole world.”

Mikhail Lomtadze

Kaspi.kz

“Kyrgyzstan, Uzbekistan, Russia

Kyrgyzstan, Uzbekistan and Russia are three markets which are of interest to us in terms of the poultry meat exports. Separately, I want to note that there are still difficulties in Uzbekistan, not much has changed over the past couple of years. The fundamental causes are primarily in the Uzbek mentality. It is rather strange to say that Uzbekistan is moving forward when the difference between us is one or two percent. This is not such a high percentage at such a low base that Uzbekistan currently has.”

Serik Tolukpayev

Aitas-Group

“Uzbekistan, Georgia, Azerbaijan

Uzbekistan as the largest country in Central Asia in terms of population in our region (except for Ukraine) has a very young population and high growth rates. Therefore, people in Uzbekistan will need to develop everything related to infrastructure, construction, logistics and use of the country as a link between the countries of South Asia and Europe. Support of the trade relations with Pakistan, Afghanistan and India is an opportunity for the country. The latest history of the country's development shows that they are very skillfully using this opportunity and are growing well, which is also reflected in the pharmaceutical market - it shows double-digit growth, which is very important for us.

Azerbaijan, on the one hand, is a relatively small country with a population of about 10 million people, but on the other hand, especially now, when the role of Russia in commodity supplies is decreasing, the role of Azerbaijan is increasing, since they have very high quality oil and sell it at a high price. This is a good boom for the economy, we see how the country is actively developing. Despite the fact that the pharmaceutical market is subject to fairly strict market and price regulation, growth is still positive.

Georgia has chosen a liberal model of economic management, which it has still adhered to. Moreover, the role of Georgia as a transit country has changed due to the change in logistics routes both in Central Asia and in Russia, bypassing Europe through Turkey.

We know that the transport routes and cargo handling stations are under construction and renovation. I believe that Georgia's role in this will be very important for at least a year or two, and it will positively affect the economic growth and the development of certain sectors of the economy including the pharmaceutical industry. I particularly like that everything is done in a liberal approach - transparently and quickly - like in no other country."

Arminas Macevicius
STADA

"Uzbekistan, Tajikistan, China (+ Eastern Europe)

The level of consumption of our products in Tajikistan is quite high and shows good turnover. Two years ago, this territory was unprofitable for us, but despite the economic problems in Tajikistan last year, today this region has become profitable. There was a drop of 20% in trade turnover, but in terms of money the result was higher than in previous years. This year we also expect an increase in Tajikistan and a recovery in the consumption levels.

We had some difficulties with access to China due to the pandemic. We sent a container of products before the COVID-19 started, but it "stuck" at the border, and it was returned to us after a year and a half, we just had to write off the products. We have had good relationships with the local partners and customers, since they have not suffered any losses, now they are ready for cooperation.

The goods being exported by us are manufactured in our Kazakhstan plant. We are considering the supplies to Mongolia, Azerbaijan, Moldova. We also have stable supplies to Afghanistan and we will consider other Middle Eastern countries. This year there are quite a lot of offers, and we plan to export to Bulgaria, Romania and Hungary on the basis of outsourcing products under another brand, which is a part of the Mareven group of companies.

We plan to expand in Uzbekistan. Last year in November we opened the Mareven Food Pamir company there, and the total investment will approach \$ 200 million over a 10-year period. Due to the unstable current situation, investments will have to be held back for now, but nevertheless, as soon as the situation becomes clearer, we will actively begin to implement the construction project."

Bernard Vavrzhin
Mareven Food Tyan-Shan

"USA, China, Russia

If everything turns out well, and Russia and Ukraine find mutual understanding, this will be an ideal for us. The USA remains the largest economy and, unfortunately or fortunately, they dictate how the whole world will live. China, like Russia, is one of the closest partners of Kazakhstan, and these two economies will affect the situation happening in the economy and politics of our region.

The growth of our company is strongly tied to what is happening in the USA, this is one of the top markets for us. The second major market for us is France, but here, as in all of Europe, the economic indicators are not very good. I would like the conflict between Russia and Ukraine to be resolved in 2023, but most likely it will drag on."

Kuanysh Ospanov
Sanofi Kazakhstan

"Russia, China, USA

Russia influences us not so much as a market for development, but as a participant in the global game that creates the risks of secondary sanctions in the form of failures in the supply chains, violation of contractual relations with the partners, changes in prices and assortment. There is a big impact on our business, profitability, assortment and demographics due to the opposition of the big players.

There are a lot of changes. I am not saying that we will expand in the Russian market, I am speaking that the situation in the Russian market will influence some of our decisions."

Konstantin Kulinich
Mary Kay Kazakhstan

"Uzbekistan, China, USA

We experience the trend of avoiding globalisation. Now we try not to depend on anyone and thereby protect ourselves. There is a sense that we will solve the problems in the automotive business at the expense of China. They have learned how to make high-quality cars and will develop not only in Kazakhstan, but also globally.

Everything in Uzbekistan is fine with growth, traffic and product indicators, but there are some problems with monetization, since the effective period of the ad is 28 days, and the sale is quite fast, and it is removed already on the 7th day. There are also many difficulties with digital one-click payments, the main flow of money comes from the terminals, and this is not the most comfortable payment method for the customers. In general, our project is certainly successful, and we continue to work on the return on the investment made."

Nikolay Babeshkin
Kolesa Group

"Russia

Only the Russian market is important for us. Last year we entered the Georgian market, this year we plan to enter the markets of Azerbaijan and Armenia. This year we also plan to open an office in the USA, but it will operate as a marketing research office for the next three years. In addition, we plan to "hunt" leaders there who we could rely on in accordance with the Ordamed global strategy.

Due to the current geopolitical situation, we attract specialists from Russia, Ukraine, but there are problems associated with the difference in cultures. As a result, both employees invited from other countries and our Kazakhstani specialists experience some discomfort. In terms of a business I would form the staff of the company with about 70% of Russian specialists, but they have to work with our market, and they often do not understand our realities, they do not know how to use soft skills as their Kazakh colleagues use.

In addition, after February 2022, there are many difficulties in communication between the offices from different countries - Russian and German, which is largely due to changes in the laws in Germany. And if the German office makes concessions, it confirms each of its actions with a number of documents.

The employees from Russia and Ukraine try to restrain their emotions, but this is not always possible. The employees of the Kazakhstan office do not tend to go on business trips to Russia, and there is a self-reflection element in all this. In terms of building relationships among the employees, Covid was not as difficult as the events of the last year. People united during Covid. Now they are afraid to take responsibility."

Yerkin Dlimbetov
Ordamed

"Russia, the USA, China

We are actively working with China, and it is worth noting that China continues to increase cooperation with Russia, so I have marked Russia as an important region for us. Although we neither operate in Russia nor provide our services there, nor sell nor buy goods from Russia, it indirectly affects our business and thus has a significant impact. The USA is also our priority market where we have already been present, so this is a very promising market for us to grow."

Farrukh Makhmudov
Orbis Kazakhstan

“Russia, China, Uzbekistan

When answering this question, I would like to assess two key factors - impact directly on the income of the company itself and impact of macroeconomics, the general environment. Three countries - Russia, China, Uzbekistan. The well-being of the American economy is important for the whole world, and China is a supplier and buyer of many things for the Central Asian region, as is Russia to a large extent.”

Kairat Mazhibayev

Resmi Group

“Uzbekistan, Russia, Turkey

Firstly, it concerns the relocation of production facilities, brands from the Russian Federation significantly occupying the stores. Secondly, how aggressively the Russian authorities will defend their interests in Kazakhstan. The development and further strategy of the domestic business will mainly depend on this. We will be affected by the decisions of our government, to what extent they will be able to defend the domestic interests within the EAEU and properly stimulate the local business. Turkey continues to keep a fairly low interest rate stimulating the local production, and their businessmen themselves are especially enterprising. There is a possibility that Turkish goods will be much more in Kazakhstan.”

Azamat Osmanov

Magnum Cash & Carry

“India, China, USA

We usually talk about regional growth because we are present in about 60 countries, and the solutions and services in some of them are provided by our teams from around the world.

In terms of the revenue growth, we can talk about India as our fastest growing market, as well as the countries where we operate in the APAC and LATAM regions.

If we choose countries, in addition to India, I would then add China, the USA.

A number of IT manufacturers from China. Besides, with regard to components, they are also made in China. The American manufacturers are still strongly "tied" to the Chinese market.

The United States is the country where all the world's corporations are concentrated, all our major trading partners, including Microsoft, HP, and Dell.”

Anna Dyu

Noventiq

“US

While we consider only the United States, we do not plan to enter other countries in the future. The USA is a huge market, we launched there in April 2022, so less than a year has passed since the official launch.”

Alexey Lee

Arbuz.kz

“Uzbekistan, Azerbaijan, Kyrgyzstan

The region where we are working includes 6 countries - Central Asia and Azerbaijan. Uzbekistan, being the largest country in terms of the population, certainly has a huge impact on the region's development. The use of cards for 20 years has created all the necessary prerequisites for the very active development of the cashless economy in general, and Visa continues to strengthen its work in the country. Therefore, Uzbekistan has a great potential for us in terms of development and income. Non-cash payments as of now are still not comparable with Kazakhstan, but the growth dynamics is cosmic.

That is, the growth is much faster than in Kazakhstan. We have good reason to expect that Uzbekistan during the next few years will continue to reduce the gap available at the moment, and this is good news for us.”

Cristina Doros

Visa Central Asia and Azerbaijan

“Turkey, China, Uzbekistan

The Turkish goods are more aggressively dominating the market due to the disrupted supply chains given the high competition. Well-established direct supply chains, available production facilities and the ability to develop both globally and in Russia allow Turkish brands to expand to the full extent. The Turkish brands in Kazakhstan are expanding and developing well, especially in the mass market segment. Due to its influence on the trade market in Kazakhstan, Turkey is an important country having also an impact on our company. The previous experience of the closure of China's borders, caused by quarantine in the cities bordering with Kazakhstan, shows a critical disruption of the supply chains, an increase in the cost of the goods being imported. The production facilities of many brands are located in China, which also creates risks for the commodity supply. Besides, the increased production in China may lead to a more complete saturation of the Kazakh market with the goods. Given the expected growth of the Chinese economy compared to 2022, it is China that is important for our company in terms of the existing retail facilities.

Due to the global changes and geopolitical aspects of the former CIS countries, Uzbekistan takes a leading position in terms of expansion of Kazakh companies and business expansion. TSPM Company plans to study the market of Uzbekistan and the subsequent opening of an office in Tashkent, that's why this country may affect the activities of our group.

I also want to add Russia, as it can have an indirect impact. The fact is that due to the sanctions, restrictions, conscription, and, in general, Russian policy in Kazakhstan, we've recorded an increased number of tourists who become the consumers in our domestic market. Increased consumption generates the increased revenue for trade and service companies, stimulates construction (rental housing), but also creates a shortage of the goods due to unstable intermittent consumption. In addition, Russian companies are involved in major Kazakh projects, including the oil and gas industry, generating the risk of sanctions and restrictions for Kazakhstan. Also, tracking of the parallel imports can cause any restrictions and prohibitions on the goods imported into Kazakhstan.”

Alexei Khagai

TSPM.

“Uzbekistan, China

Stability in neighbouring countries is important for Kazakhstan, China is a key transport route from Asia and the largest production site. Uzbekistan is the closest rapidly developing partner, and the potential for mutual trade is very high for the next ten years.”

Lev Appakov

Schneider Electric

“Turkey and UAE

We are negotiating in Turkey and UAE to enter the markets of these countries. We considered Russia before the war in Ukraine, perhaps it makes sense to do the groundwork for a future entry to the Russian market, but so far, it is difficult to say something definitely in terms of the current situation.”

Askar Baitassov

abr

“UAE, Uzbekistan, European countries

We had planned to enter Russia, we even negotiated, but due to the events of 2022, everything had to be curtailed. We are currently studying the options for development in the UAE (Dubai), and monitoring the market. We are considering options to enter European countries - Spain, Portugal, studying where it is more comfortable to do business in terms of taxation. We are looking at Uzbekistan and Kyrgyzstan. Asian cuisine is developed in Uzbekistan, and the market is very competitive in the segment where our BAO network operates. The population is growing there, the market is developing, and if there are no political changes, we may have good prospects there.

We are considering two options in the UAE. Now in UAE, alcohol ban exemptions are introduced - the zone for issuing the licences has been expanded, the size of the excise has been decreased by 30% that makes it possible to reduce prices, respectively, there will be an increase in alcohol consumption. The first option is to enter the UAE market with a coffee shop, the second is an offer to open a Pinta there. Competition is not very high in the middle price segment where we are working, it is filled mainly with Indian restaurants or chain projects that are presented in shopping centres and do not serve alcohol.”

Yuriy Negodyuk

Restaurant chains: “BAO noodle&sushi”, “Pinta”, “Tomato”, “The Banka”, “Paul”

“Uzbekistan, Kyrgyzstan, Ukraine

I often travel to Uzbekistan for mass events, I have friends who implement joint projects there in various industries. Some Kazakh sports managers work in the Uzbek state-supported sports organisations. Most of the costs for the Samarkand Marathon in Uzbekistan are borne by the state, supported by the Ministry of Sports and Tourism. Not a single mass start is made by the efforts of the Ministry of Culture and Sports in Kazakhstan. Moreover, the Samarkand Marathon appeared after the Almaty Marathon. We practically created a precedent in Central Asia, but they were able to attract the state to the event.

Now the fitness industry will be actively developed in Kyrgyzstan. They had few premium segment clubs, but now new premium and business segment brands appear there. I see this as a sign for a potential development of the partnership, maybe opening our business.

I hope that the hostilities in Ukraine will end in 2023. Now many employees who came from Ukraine work for my companies. I was offered to take part in the restoration of the Ukrainian fitness industry after the war ends. I think that they will be restored both by Ukrainian specialists and colleagues from European countries, and also by the colleagues from the CIS countries loyal to Ukraine.”

Valikhan Ten

World Class Almaty

“USA, UK, Singapore

In 2023, we plan to introduce Smart Satu to large distributors in Kyrgyzstan, Uzbekistan, Azerbaijan. But the countries having the impact on the capitalization growth are, of course, large and stable markets: USA, UK, Singapore. If a company makes money in the markets of such countries, this provides a good opportunity for the capitalization growth. Perhaps we will enter new markets through our partners, for example, Metro Cash & Carry network, for which we developed our own application in Kazakhstan last year. We have globally integrated with them and worked out a common business model.”

Bolatbek Osanov

Smart Satu

“Finland, Netherlands, Norway (+Uzbekistan)

I think these countries to be the most significant because the main prospective projects in the near future depend on the companies - our long-term foreign partners, which are located in these countries.

We hope for the further development of our branch in Uzbekistan.”

Erik Shortanbayev

Skymax Technologies

“Uzbekistan, Romania, Brazil

The Uzbekistan market is relevant for us, especially since some Kazakh entrepreneurs have already traded with Uzbekistan. Our unique trade offer includes free deployment for the first year. One of the most important and difficult moments is the language localization of the service. We develop a technological solution in order to automate the translation for millions of the product cards into the desired language through machine learning. This service is also relevant for work in Kazakhstan.

We also consider entering the Latin American market in the near future. If our machine translation model is able to work, we will then go to Brazil or Mexico.”

Maxim Melnik

Satu.kz

“Vietnam, USA, Russia

We have already launched in Vietnam before, but have been temporarily forced to suspend our activities. We relaunched there last year and have currently tested our product at the early stages, looked for the partners and new target niches. Russia and the United States are among the countries that are significant to us because they will have an impact due to the current geopolitical conflict in Ukraine. The longer it goes on, the more macroeconomic shocks, pressure on inflation and the personnel outflow or inflow will be. All these factors will indirectly affect us.”

Alexey Sidorov

Silkway Group

“Belarus, Turkey, Uzbekistan

Our region includes 11 countries: Central Asia, Caucasus, Belarus and Turkey. Belarus, Turkey and Uzbekistan, among them, are the most important for the revenue growth prospects in the next 12 months. First, in terms of the population, quite a large number of people live in Turkey and Uzbekistan. Secondly, we have huge opportunities for growth in Turkey. We are rather well represented in Belarus and, despite the difficult year 2022, there are good figures. However, it is worth noting that there are some difficulties in Uzbekistan due to supply chain breaks.”

Mikhail Bazanov

Mars Kazakhstan

“Russia, Ukraine, China

The interaction between Ukraine and Russia directly determines what is happening in Kazakhstan. China is now opening up, and if everything is as expected, there will be additional demand for the oil, and the economy of Kazakhstan directly depends on the oil.

In 2023, we will enter the Azerbaijani market for the first time, the first international fitness club Invictus will be opened in Baku in the first half of the year. We see great prospects in Uzbekistan, but our development strategy - for franchising - is very much “tied” to search for the appropriate franchisee in the markets. About a dozen people have already come to us from Tashkent, but we have not yet found a suitable franchisee there.”

Iliyas Issatayev

Invictus Fitness

“China, Uzbekistan, Russia

China and Russia are the countries which are the most important and determine the macro situation in Kazakhstan. As regards foreign policy, a good personal relationship between the presidents of Kazakhstan and China has a positive impact. In general, trade and partnership with China is an important aspect for Central Asia in all respects.

Uzbekistan is a very interesting market for us, as there is a low presence of banking services. Despite the fact that many players have already entered the Uzbek market, we believe that there is a place for development there.”

Kiril Bachvarov

Home Credit Bank

“Kyrgyzstan, Russia, Uzbekistan

Our service is presented in Uzbekistan and Kyrgyzstan (hh.uz and headhunter.kg). It, as in Kazakhstan, takes a leading position among the sites for jobs and personnel search in these countries. We see the great potential in the development of these territories and pay great attention to them.

Russia is one of the priority geopolitical partners of Kazakhstan. The markets of our countries have many points of contact that affect their economies in one way or another.”

Oksana Brichevskaya

HeadHunter

“Spain, Italy, Poland (Kyrgyzstan)

Glovo is a Spanish company, so the list of the most promising countries definitely includes Spain where the business has turned out to be profitable, as well as Italy and Poland which are two big markets that provide the company with the opportunity to invest more resources in other countries. Glovo Kazakhstan is very dependent on the company's success in the major markets. Spain, Italy, and Poland are the three largest countries out of 25 countries where the company is working.

We consider our office in Kazakhstan as a Central Asian hub and will develop it. We will start our work in new areas from here and continue to grow in Kazakhstan and Kyrgyzstan.”

Karim Boguspayev

Glovo Kazakhstan

“Uzbekistan, Russia, Mongolia

For our region, this is Uzbekistan which buys more and more every year, and this market is included under the influence of our office. The second country is Russia. The Fluidra Russian representative office independently buys the goods in Spain that are not subject to sanctions and directly delivers them. Mongolia is a new country for us, it has come under the influence of our office since 2023. Of course, this is not the most economically developed country, but it is probably promising.”

Mikhail Borisov

Fluidra Kazakhstan

“USA, Uzbekistan

If one of our projects achieves the expected success this year, then we will try to enter and launch in the USA.

We are interested in the Uzbek market in terms of the air tickets sales. We plan to test something and, if successful, implement these plans in the near future.”

Nikolay Mazencev

Chocofamily Holding

“USA, Uzbekistan, Saudi Arabia

In 2023, we will be able to receive real income only in Kazakhstan. In terms of the business growth and development, these are the USA, Uzbekistan and/or Saudi Arabia.

Now we have engaged a bridge round and are using this money to pass the FDA certification in the USA and launch in Uzbekistan. Globally, in terms of medicine and artificial intelligence, there are only two promising markets - China and the United States, all the rest are of no relative interest. As for Saudi Arabia, we believe that we can change the stroke diagnostics there very well and raise money. The market is rather complicated, it has its own specifics, but we are optimistic.”

Doszhan Zhussupov

Cerebra

“China, USA, Russia

Russia remains among the countries having an impact. Firstly, Russia is a huge neighbour. Of course, if the geopolitical conflict prolongs very much, this instability will affect Kazakhstan. People relocated from Russia last year raised, for example, the GDP of Armenia and Georgia by 10%. Of course, the Kazakh economy is larger, and it has had a little effect here, but migration flows have an impact. Russia remains a major trading partner, in any case and in any situation. China is a source of the total global demand, it is a major neighbour, so any changes there will have an indirect impact on us as well.”

Marat Seitkulov

Caravan Resources

“Uzbekistan, Russia, Portugal

The growth potential in Uzbekistan is still small, but this is compensated by the low level of competition.

We have been working with the Russian market for more than nine years, we have nineteen branches, and our staff amounts to two hundred employees. We do not violate any sanctions and as long as it is not prohibited, we will continue to work in this market.”

Ilya Martinenko

Avrora Holding

“China, Turkey, Uzbekistan (+ Russia)

Cash flows pass through us, and if we take the consumer sector, these countries play the largest role in imports and exports. We clearly see that when China closes its borders, our clients experience any difficulties, especially the agricultural sector.

As for the growth of our business and its geographical expansion, we regularly consider various prospects and markets (Central Asia). But for the near future, Kazakhstan remains the focus of growth.”

Bekzhan Pirmatov

ForteBank

“UK, Uzbekistan, Kyrgyzstan

We launched in the summer of 2022 in Uzbekistan and Kyrgyzstan, and believe that our growth should be good in these countries in 2023. As for the UK, we plan to launch there in March 2023. The launch in the UK should have a significant impact on the multiples that investors use to estimate our capitalization. If now we are estimated at 2x ARR (*Annual Recurring Revenue*), then a successful launch and good traction in the UK could lead to 4-6x ARR multiples.”

Murat Alikhanov

1Fit

“Uzbekistan, China, Poland

The favourable location of Kazakhstan between Europe and Asia opens up many great opportunities for the goods transit and the republic's transformation into a key Eurasian transport and logistics hub, thus suggesting some kind of revival of the Silk Road. Despite the fact that our company works with many countries around the world, hence, cargo transportation between China, the countries of Central Asia and the European Union remains a priority for the near future.”

Marat Zhuman

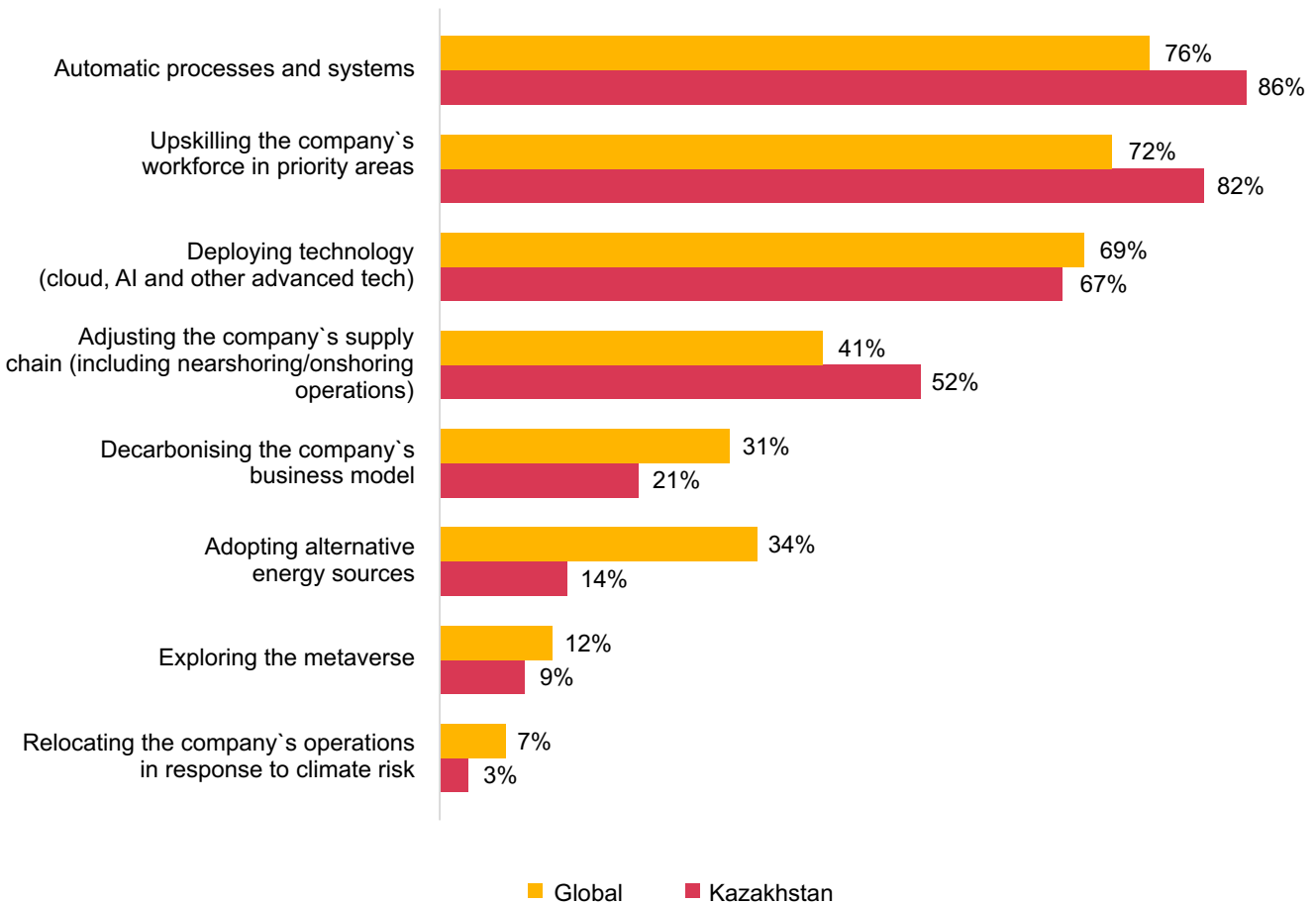
Atasu Group

Planned business investments over the next twelve months

According to the results of our study, the majority of businessmen around the world (76%), including Kazakhstan (86%), will continue to invest in automation in the next year. This helps to optimise the business processes and costs. Investments in staff development rank second both in the world (72%) and in Kazakhstan (82%). Local leaders note that despite the continuing shortage of key specialists in some areas, new professions quite rapidly appear requiring new skills, and mainly this relates to IT technologies. As a result, the leaders are ready to effectively continue to develop and train people to successful work in the current business environment.

The ESG agenda is rapidly growing around the world. It is interesting to note that 21% of respondents in Kazakhstan plan to invest in the decarbonization of the company's business model, which is 10% less than in the world (31%). A significant difference is observed in the investments in terms of the use of the alternative energy sources - 34% of executives around the world have already planned to invest in this area, so far only 14% in Kazakhstan.

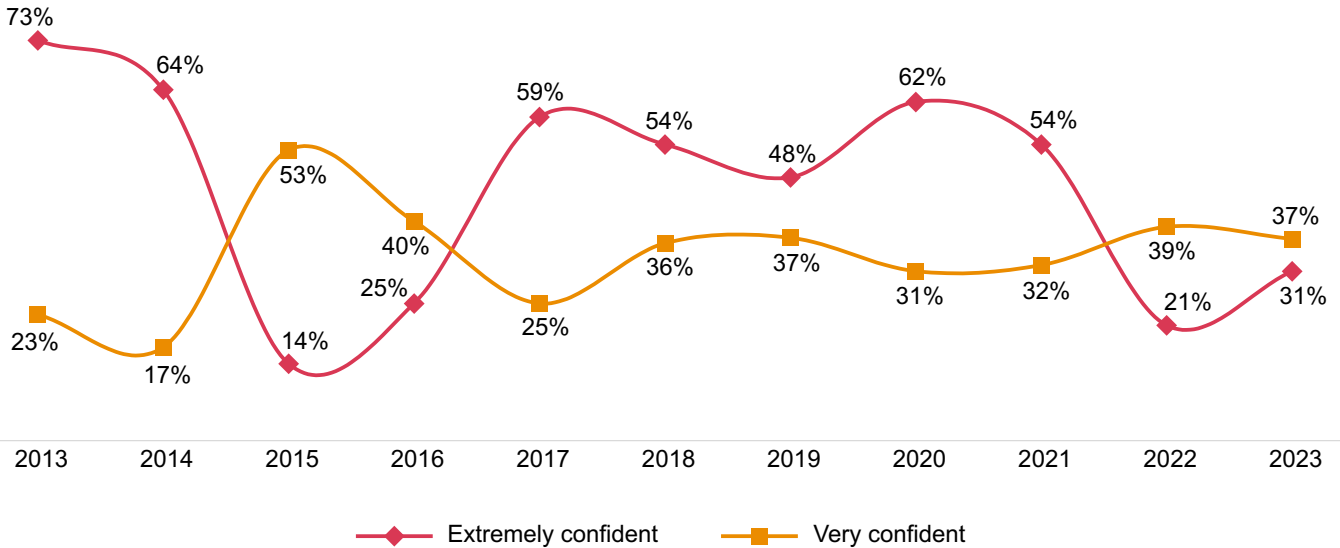
Business investment over the next 12 months



In-house company's revenue over the next twelve months

Despite the difficulties and challenges faced by the business over the past three years, Kazakh entrepreneurs remain confident in the growth of revenue. 31% of respondents are extremely confident in the growth of their businesses (despite the increased risks and the increasingly difficult geopolitical environment), which is 10% higher than last year.

Company's prospects for revenue growth over the next 12 month



“I am very confident in the growth of our business revenue in the next year. The public cloud market continues to show high growth due to the increased number of organisations moving to cloud solutions and increasing their expenses on IT infrastructure.

According to Gartner Inc. forecasts, in 2023 the expenses on the public cloud services worldwide will grow by 20.7% and amount to \$591.8 billion compared to \$490.3 billion in 2022. It is also expected that by 2024 the volume of this market will reach 830 billion dollars. Moreover, many companies are still at the early stages of moving to cloud solutions, that means that there is a potential for revenue growth. Also, according to Synergy Research Group, the leaders in the cloud services market are Amazon Web Services, Microsoft Azure and Google Cloud Platform, and they all continue to show strong growth and increase their market share.

Generally, these factors and other indicators suggest that the public cloud industry remains promising for further growth in the coming years.”

Nurbek Sadykov
qCloudy

“During the next 1-3 years, I am moderately confident in the revenue growth. There is no great optimism. But there is no uncertainty about growth.”

Bernard Vavrzhin
Mareven Food Tyan-Shan

“I am confident in the revenue growth during the year and the next three years. We are working to the maximum, and there are no prerequisites that something could negatively affect and change the company's growth indicators. We do not see that new production facilities similar to ours are being created, and the demand for the products is steadily growing.”

Nursultan Zhumabek
hoffmann aluminium

“I am absolutely sure. The Kazakhstan market in terms of delivery is not fully covered, penetration is 1% of the population in terms of the number of orders, and the scale will only grow. A striking example of this is the development of cities. Many cities are ahead of Almaty in terms of year-on-year growth when we have started here. At the same time, Almaty is a city with a population of almost 2 million people, there are a lot of smartphones, many restaurants, but now western and southern cities are also showing good results.”

Karim Boguspayev
Glovo Kazakhstan

“We are confident that the revenue growth will continue. We have a new territory where we will start working. Second, we are planning to open a branch in Astana. We are changing the management structure, and I believe that it will also give certain results - we will be able to process the customer requests more and more efficiently. We have taken the path of automation, and it will provide us with certain preferences in the future.

Well, Kazakhstan now is the most stable market against the background of all the others. We need to use it, so I'm confident in the revenue growth within 12 months and 3 years.”

Mikhail Borisov
Fluidra Kazakhstan

“I'm not sure about the 12-month prospect, but extremely confident about the 3-year prospect. We are working with the state, and in order to get revenue by working with the state with an artificial intelligence product, we must make a mini-revolution in the Ministry of Health. In principle, we have already done it, but it is difficult to say how events will be developed. It is necessary to issue new documents, sign orders regarding the use of the modern procedures in diagnostics, and we face resistance and misunderstanding.”

Doszhan Zhussupov
Cerebra

“For the year, I'm moderately confident because the year has started with a rise in prices due to China, and we hope that prices will keep high this year. As for the next three years, we are just launching a new line, and we are very confident that revenue will grow due to the new production.”

Marat Seitkulov
Caravan Resources

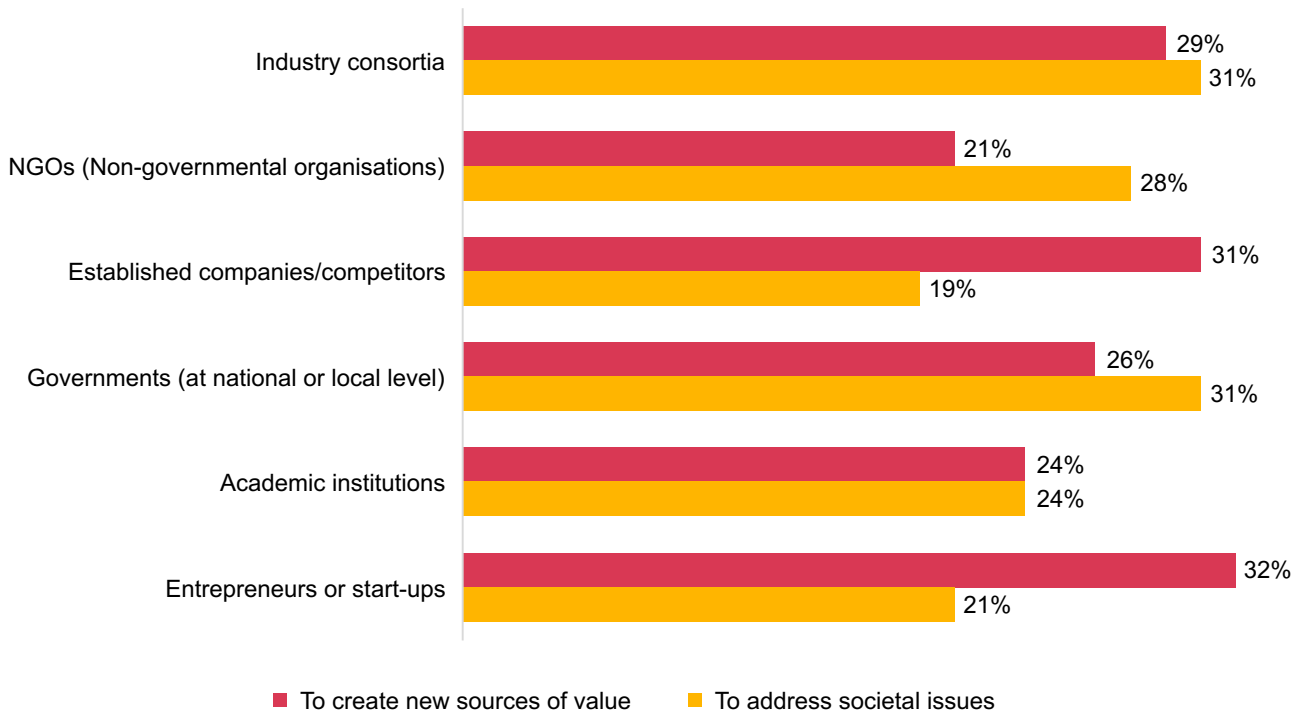


Theme

Business and collaboration with various groups, including non-profit organisations

Kazakhstani business is actively cooperating with the industry consortiums (31%), local and national government (31%), non-governmental organisations (28%) and academic institutions (24%) to solve any social problems such as charity, education, social & economic inequality, diversity, equity and inclusiveness. In terms of creating new sources of value, including innovation in the products in the local and new markets, the companies are more likely to cooperate with entrepreneurs and start-ups (32%) and well-established companies (31%).

Level of business cooperation



“As for industry consortiums, in fact, we created them. For three years we have been trying to cooperate with other organisations, but we do not like their policies. We started to work with five associations for the medical devices in Kazakhstan, Russia, were disappointed and established the association ourselves. We have also established a charitable foundation, because we donate a fairly large amount of the equipment to the hospitals, that is, we are working to a large extent on solving the social problems. As an association, we have entered the European association of similar organisations that have more experience in this area.

We began to work actively with the Ministry of Health in the area of after-sales service of medical equipment. We want to limit access to technology for the people who do not have the appropriate specialisation, because such people break technology. We are working with the government to a large extent on the social problems to be solved. A program related to the treatment and prevention of the children’s caries is in progress. We have started to register the equipment that detects caries in grade schoolers. After the approval by the Ministry of Health, the program will become regional, and then we will work with the akimats on the issue of children’s access to information about caries and the importance of brushing their teeth.

We cooperate with the colleges and universities to a large extent. We have internships students from two universities, and together with the dean’s offices, are thinking about the program development. Universities do not have research activities in our area, and this issue needs to be addressed.”

Yerkin Dlimbetov
Ordamed

“As for industry consortiums – we are mainly cooperating in the area of creating any new sources of value. We are a member of the IT Companies Association of the West Kazakhstan Oblast. It gathers like-minded people, company leaders to share their new ideas, actively deal with the local executive authorities, and implement the programs developed by the state.

As for the social problems, many IT products allow solving such problems as social and economic inequality and inclusiveness.

Non-governmental organisations - we are members of Atameken NCE, however, our cooperation is more of a situational nature. We talk more about problem issues. We focus on solving social problems. We have recently held a charity event with "Club Dobryakov" (Club of kind people), a large volunteer movement that helps low-income families, nursing homes.

If we talk about the creation of new sources of value, then we are active participants in the process in this aspect. We adhere to a partnership position, often all of us, market leaders, are brought together at the negotiating table by the manufacturers, we may meet and discuss any actual issues in the industry.

As for cooperation with the academic institutions, on the one hand, they are our clients who are actively digitising. On the other hand, the academic institutions are our suppliers of new specialists. This year we want to launch an internship program, create jobs in our company for the students who study well, and invite them to internships in our company. Entrepreneurs and startups. We have had a successful attempt at inorganic growth of our business in Kazakhstan. We have noticed that development of any certain competencies, expert teams is time and money consuming, so we apply the "inorganic growth" strategy by acquiring well-established companies with the competencies. Thus, last year we acquired one of the largest development companies in the country. We can say that this is cooperation both in creating new sources of value and in solving social problems."

Anna Dyu
Noventiq

"We cooperate to a great extent with almost all of the listed groups. If I had been asked about this seven years ago, I would have said that we work with the banks. Now we have several focuses - the government, the Central Bank, and this is my daily work. We have a whole division, a separate hierarchy in the company, which is called government as a client, and we deal with innovation and technology within this area. As for the social issues, we actively cooperate with the governments and central banks at the national level. Also, our constant focus is fintech, all types and forms of non-governmental organisations."

Cristina Doros
Visa Central Asia and Azerbaijan

"We actively cooperate with industry consortiums, NGOs and academic institutions. I am included in the board of AIPM - Association of International Pharmaceutical Manufacturers in Kazakhstan, and our company is one of the leading companies in this area. We take active part in the Association for the Support and Development of Pharmaceutical Activities of the Republic of Kazakhstan, in EUROBAK, where we are the members. We share our knowledge and experience with the society including by giving the lectures and teaching the students. I have personally met with the students from several universities, and we plan to resume our interaction with Asfendiyarov University. We also cooperate to a large extent with non-governmental organisations. We plan to expand the scope of our activities beyond the boundaries of one university. Our cooperation can be then called significant.

We actively cooperate with the representatives of the state authorities in Kazakhstan. We are just starting to do it in other countries. Especially with the opening of STADA AG, we will have much more opportunities to cooperate and expand our presence outside of Kazakhstan."

Arminas Macevicius
STADA

"We cooperate to a large extent with non-governmental organisations. Basically, these are various funds, including the Serik Tolbasy Fund. All our projects provide charitable assistance to various funds which make their own decisions about distribution.

We provide support to the centre for women in difficult life situations, orphanages on a regular basis, and now an amateur tennis league is being organised under the auspices of Tennis Liga TS Private Foundation."

Alexei Khagai
TSPM.

"We actively cooperate with a number of Kazakh and foreign organisations: Astana Hub, MOST Hub, French and Ukrainian IT hubs.

We are also in dialogue with the government. For example, we are a member of the working group for developing a new tax code, and we also closely work with the Ministry of Agriculture on issues of sectoral development and improvement of the investment attractiveness of the agricultural sector.

Social development is a separate type of activity for us along with the business. I would like to remind you that our duty is to serve the people of Kazakhstan, and our mission is sustainable development of the country.

We realise our duty and mission through the Fund for Sustainable Development of Rural Areas and the Fund for Sustainable Development of Education.

We have many initiatives related to the sustainable development of the country. We plan to allocate about 2 bln. tenge in 2023 and attract about 150 bln. tenge from the sponsors.

We are very hard and actively working in the area of secondary education. In particular, along with the Kazakhstan Khalkyna Fund, we invest in the development of rural schools in order to reduce the difference in the quality of education between the rural and urban education, where the methodology and content is provided to NIS free of charge.

We equip according to the modern standards, involve local authorities in the project, and also attract sponsors' money and invest ourselves. Currently, our program covers more than 20 rural schools in Kazakhstan, and during 2023-2024 we plan to increase this figure to 200. This project will provide all rural areas, as well as small and single-industry towns of the country with the sound academic background. Last November, EdCrunch, the largest educational conference in Europe and Asia, took place, where we acted as the organiser and general sponsor.

We also finance the opening of medical laboratories in the areas of Kazakhstan where this is not available by giving the grants to local entrepreneurs. Our task is to cover all these regions in full before the end of the year - and this is about 50 districts. As a result, about 2.5 million people will have access to high-quality medical diagnostics."

Serik Tolukpayev
Aitas-Group

"Last year, we actively worked with the Kazakhstan Council of Foreign Investors Association and the Government of the Republic of Kazakhstan in terms of promoting the best international practices on the market. On September 28, 2022, the Government of the Republic of Kazakhstan signed a Memorandum of Understanding on the implementation of a pilot project to use an international digital signature in the Republic of Kazakhstan. To date, specific steps have been developed to introduce the international digital signature, including amendments to the laws. In terms of the investment climate improvement, we believe that our initiative will contribute to the interests of the institutional investors, as well as a quick decision to enter the Kazakhstani market.

Also in 2022, Citibank Kazakhstan JSC became a member of the AIX Central Securities Depository (AIX CSD), that allows the international institutional investors to keep their assets in AIX CSD in Citibank Kazakhstan JSC's custodial account. The partnership with AIX Central Securities Depository is a significant event for us and our clients, including international investors and the Government of the Republic of Kazakhstan.

Moreover, we have implemented another international solution - WorldLink, which provides the customers of Citibank Kazakhstan JSC with an opportunity to make international payments in 190 currencies without the need to open an account in the destination currency."

Saule Zhakayeva

Citibank Kazakhstan

"We do not cooperate with our competitors. I think that today our biggest competitors are aggregators.

Academic institutions. We neither cooperate nor plan to cooperate, not take the graduates from existing universities or colleges for internship. We ourselves want to train our personnel, now we are reorganising the operational process, whereafter we want to open our own academy and train the guys on our own. Unfortunately, we are not satisfied with the quality of personnel training for our profession outside our company, and young specialists have to be retrained, in fact. All the standards according to which they teach in colleges are outdated. Soviet standards used by the educational institutions were initially irrelevant, and today they are hopelessly behind the times. Last year, after the mobilisation was announced in Russia, representatives of our profession came to Kazakhstan and we recruited people. In November 2022 alone, we employed 50 employees."

Askar Baitassov

abr

"Industry consortiums - we moderately cooperate with the restaurant association, mainly on the legislative matters. They help the Almaty restaurants with regulation, promoting our initiatives, obtaining tax reduction and other benefits. Non-governmental organisations - we cooperate to a large extent with Atameken NCE. They helped us a lot during the pandemic. We sponsor institutions for socially vulnerable segments of the population, providing four private schools with meals.

Academic institutions - we moderately cooperate, in particular, with AlmaU under the MBA training program for our employees. In turn, I am a member of the university expert council for the training of young specialists in the area of hospitality. We invite the students of the profession-oriented specialties to have internships in our institutions, but, unfortunately, young people are not very willing to join our profession."

Yuriy Negodyuk

Restaurant chains: "BAO noodle&sushi", "Pinta", "Tomato", "The Banka", "Paul"

"I consider our competitors as colleagues, but that's not to say that we closely cooperate. They come to me and we hold large FitFest festivals as part of the World Class, where the group program trainers come from all over Kazakhstan and share their master classes. My doors are open to all colleagues, I will be glad if they come to us and study, hold similar events at their home, all it promotes the fitness industry development. I am a trendsetter in this area, and if no one supports our endeavours, I will wonder why no one has repeated this.

We World Class were the first among all fitness clubs to start making TikTok. They told me that it was not impressive, they laughed at me, but the youth audience recognized us,

reached out to the World Class. We grow a new audience, they want to practise here because it's fun, they like this club. We have tried to look at things from the point of view of children, youth, to be on the same team.

We do not cooperate with the government. I cannot call myself an oppositionist, but I radically disagree with the policy of my sectoral ministry. The fitness trainer profession is in great demand among young people, but out of the entire range of fitness trainers working in Almaty, 90% do not have a specialised education - neither medical nor physical education; they have only three-week courses, but it is impossible to learn human anatomy in three weeks. We have to raise the value of the industry.

We cooperate with the entrepreneurs. All our partners in all events are the entrepreneurs, including start-ups, such as Vital Nan whole grain bread makers.

We cooperate with the academic institutions in terms of education - we are trying to open a department of triathlon with the Academy of Tourism and Sports. We have developed the guidelines, agreed on issues with the Ministry of Education and Science, and I hope that we will open in 2023. Everything is ready for 90%, it remains to develop this topic and find the applicants. The only problem is that we cannot open this branch on a paid basis. We need to collect a quorum, find 11 persons who are ready to study for a fee, and we can say that we will do a great job."

Valikhan Ten

World Class Almaty

"To a large extent, we cooperate with well-established international companies, these are our partners - manufacturers and distributors. For example, last year, Metro Cash & Carry LLP, for the first time in the company's global history, launched its own M-Business application to work with the convenience stores. The application is based on our Smart Satu platform. As a result, we are also growing, and our partners are entering a new segment for themselves.

To a large extent, we cooperate with the academic institutions. I myself quite often act as an invited guest at universities, tell students about the Smart Satu project and share my experience, how to scale the project, how to develop the partnerships. Every year I hold 10-15 online presentations, including for start-up support structures, such as Astana Hub."

Bolatbek Ospanov

Smart Satu

"We cooperate to a large extent with the industry consortiums. We have a common industry association with a great number of our competitors and partners. We established it several years ago. We support it, manage it and make decisions there. We have to interact with the government agencies and regulators.

We cooperate with the academic institutions, we have Talent Hunt, a talent search program. With such a program, we find talented students, give them paid internships, and then offer the best interns permanent jobs with decent wages."

Alexey Sidorov

Silkway Group

“We very actively work with the industry consortiums, associations and the government on industry development and regulation issues.

We support social projects, for example, we are currently working with Dara Fund, together with which we have opened 6 inclusive education centres for children with developmental disabilities at secondary schools. Moreover, we support pet shelters in the countries of our region. We actively cooperate with the academic institutions. We have a graduate program. We recruit any talented guys who go through professional selection centres and get an initial position in the company. For 3 years, they may work in different departments, get to know the business from different angles, and understand in which area they would like to build their career. 3 years later, if everything is successful, a person becomes a manager in the company. This is called the accelerated development course for the manager.”

Mikhail Bazanov
Mars Kazakhstan

“We collaborate to a significant extent with the industry consortiums on issues of social and economic inequality, diversity, equity and inclusiveness. We deal with this in our company, it happens smoothly. We see an increase in women choosing the profession of a developer, analyst. Last year we had an equal number of men and women. This is an interesting fact.”

Nikolay Babeshkin
Kolesa Group

“We cooperate with well-established companies/competitors. We co-sponsor any sporting events. In general, I am more open in this aspect. This year I want to establish communication with everyone, and, possibly, come to a consortium.

We also cooperate with the government on sponsoring the sporting events. I will add: we had a dialogue with the presidential administration on taxation. In particular, one of the problems of the market is VAT, because we have no production cost, and for us VAT is just a 12 percent tax on revenue. For example, our competitor, an aggregator in the fitness segment, does not pay it, because it is registered with Astana Hub and pays only 1%. Taxation for all players is a great problem. For two years we were on the retail tax, and in 2023 the fitness market was excluded from the list of enterprises taxed under it.”

Iliyas Issatayev
Invictus Fitness

“We to a large extent cooperate with well-established companies and competitors. I believe that it is not necessary to assume that we are all playing a zero-sum game - one will win and the other will lose. We are negotiating the funding lines with our partners and other banks, looking for asymmetries in business models and establishing fairly good relationships on this basis. This is very important, we eventually work in one market, with one client and with a common regulator. I believe that it is in our common interest to move forward and think about how we can increase our common market, but not how to win a few percent of the market portion that we share. This is normal practice in the West. When there are several banks in one office, one offers small business, the other offers lending, the third offers investment products. I am inclusively looking at opportunities to come together and not duplicate a physical presence.”

Kiril Bachvarov
Home Credit Bank

“An extensive layer of our work is the cooperation with the educational institutions. The lists of our partners include the universities and colleges not only in Kazakhstan, but also in Uzbekistan and Kyrgyzstan.

We hold various off-site and online activities for the students: webinars, master classes, give practical knowledge, participate in job fairs and analyse the students' live cases. All this work is aimed at improving the labor literacy of the young people. Having attended our events, they have already known how to write a CV, how to choose an employer, how to behave in an interview, and much more. In addition, we provide the universities with the opportunity to receive information about current practices and internships, which simplifies the process of finding employment.”

Oksana Brichevskaya
HeadHunter

“Glovo closely cooperates with the Government of the Republic of Kazakhstan on the social issues. We are actively involved in the working group on the social status of couriers, and this work is important for us. Glovo implements a global Courier Pledge initiative in Kazakhstan that aims to provide the couriers with equal access to the social rights and benefits. It is our company when it entered the market of Kazakhstan that first introduced this initiative and also insurance of couriers.

The Courier Pledge initiative has been founded in collaboration with the Fairwork project and sets a number of standards for fair hourly income (guided by WageIndicator data on fair income and living wage), insurance coverage renewal, training opportunities, road safety, provision of the courier's vehicle maintenance. Glovo's commitments to implement the initiative is subject to external audit and the results should be disclosed by the Fairwork international research project. As an independent party, Fairwork is not involved in Glovo's operations and will evaluate and report on the company's progress against five operation principles under the initiative.

We want our initiative to be supported by all the market participants. We understand that the economy of digital platforms is not just delivery but this is a kind of market relations. In the USA, about 50% of the population is somehow involved in the platform economy, I think that Kazakhstan will soon reach this figure. We want to show the state that this works successfully and that it is possible to find the benefit of the specialists employed in the platform economy.

Last year Glovo signed a memorandum of cooperation with the Astana Hub Technopark as part of the implementation of the IT specialists training strategy until 2025 announced by Kassym-Jomart Kemelevich Tokayev, the President. The companies jointly realise an educational project including a series of free lectures and seminars on business development, startup development, marketing improvement and business process administration. Glovo's support also applies to other projects based on the Astana Hub.”

Karim Boguspayev
Glovo Kazakhstan

“From time to time we attend conferences as speakers. For example, the US Embassy hosted a meeting to develop recommendations for the Government of the Republic of Kazakhstan to prevent the risks associated with COVID-19, and how to better respond in the future. Sometimes we are asked to comment on issues of discrimination against women. We had a mixed experience many years ago. After that, we have talked a lot with the feminist communities, and now we are constantly asked about this. We are for equality.

There are Internet associations where we actively participate, when issues related to changing the laws are discussed, proposals for the Astana Hub - what norms should be changed, included or amended, we also give recommendations. Sometimes the Ministry of Digital Development addresses us with inquiries about the global issues affecting not only us, but the industry as a whole. There are the universities with which we cooperate, we read their academic programs related to IT, we suggest which technologies are more promising now. Our employees are teaching at some universities. Sometimes we cooperate with the competitors on general, industry-specific inquiries. For example, the Sergek company came up with an initiative: in order to find offenders-couriers quickly, stick QR codes on bags rather than numbers because their cameras read them better. They came to us with this initiative, I myself talked to the aggregators, they supported this initiative. In such things, you can negotiate with the competitors so that there are general rules useful for the society. This has not been yet introduced, while we are only discussing the details of how it should look, the project is still in progress.”

Nikolay Mazencev
Chocofamily Holding

“Industry consortiums - we cooperate to a large extent in creating any new sources of value, in solving the social problems - to a large extent, we are working to increase the availability of diagnostics. We cooperate with NGOs to a large extent. We can provide a product, but if no one has taught the doctors to modern practices and technologies, the product will not be effective.

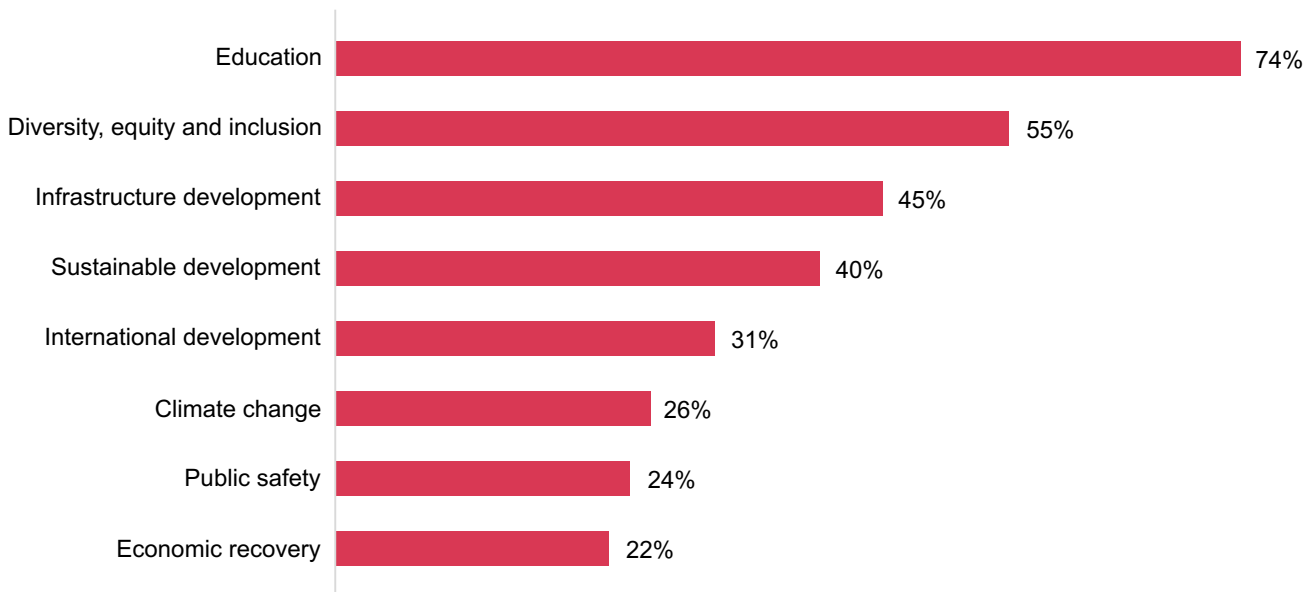
Therefore, we together with the National Stroke Association organise training for the doctors, bringing the doctors from the regions to study in Almaty. With the help of a charitable fund, we install a telemedicine system so that the leading doctors help colleagues to conduct interventions. All these initiatives are free for the hospitals and doctors. Academic institutions - to a large extent. We are engaged in science, writing scientific articles, and the issues on teaching the students have arisen. Today, young people are quite willing to go into medicine, but there are not so popular areas, for example, radiology. There is an opinion that due to the artificial intelligence development, radiology will disappear, but now there are not enough radiologists in all countries of the world. Due to the fact that the students do not go to study for radiology, a vicious circle is formed. Moreover, medical experts are often reluctant to use artificial intelligence for fear that it will replace them.”

Doszhan Zhussupov
Cerebra

“We cooperate to a large extent with the academic institutions both in terms of creating new sources of value and in terms of solving any social problems. We plan to open our own department in two universities in Almaty. We are interested in retraining the epidemiologists and engineers. Unfortunately, we see from our own example that we simply have to train many graduates practically from scratch, before they are allowed to work.”

Ilya Martinenko
Avrora Holding

Areas of business cooperation with non-profit organisations to solve social problems



“Economic recovery, infrastructure development, diversity, equity, inclusiveness, education, international development, sustainable development. It’s not the incredible scale that our Western counterparts are cooperating in other markets, but this cooperation is also important. By the way, I have been lucky to observe how one of the Danish pharmaceutical companies, on the platform of its Steno world-class diabetes centre cooperates with endocrinologists, with associations of the parents of children with diabetes. Such collaboration has an impact on the training of the endocrinologists and nurses, the education of sick children and their parents around the world.

Scientists, doctors, paramedical personnel, including from Kazakhstan, come there, they study and use the experience of having got there in their daily work in the cities and regional centres of our country. As for me, this is one of the benchmarks, and I can name several such examples. Their atmosphere promotes kindness and also impeccably high standards. I first saw this in the 1990s. This has still worked today. Western corporations work with the representatives of different social and ethnic groups, and the best practices are used in this work, this is a huge job and a serious experience for us.”

Kairat Mazhibayev
Resmi Group

“We cooperate in terms of economic rehabilitation, infrastructure development and public safety. There are smart-cameras in our stores. The operational data from these cameras are broadcast on DVD. Education is also an important part of our social responsibility. A department for professions in the trade industry is being established at the initiative of the Ministry of Trade and Integration. Such a department did not previously exist in our country. We cooperate with the academic institutions. We have previously opened a neuromarketing laboratory in AlmaU. We actively support any charitable projects in terms of systemic solutions to social problems, we help the orphanages, foundations and vulnerable segments of the population.”

Azamat Osmanov

Magnum Cash & Carry

“Education, international and sustainable development, equity and inclusiveness. We focus on the programs related to equality, especially gender equality. We have She's Next, Empowered by Visa initiative. Here we are talking about the development of a local community, women's entrepreneurship, and business directly in a city or village. At the same time, if we talk about the fintech companies development, we hold the Visa Everywhere Initiative competition where we invite the start-ups. They can take part, win, move on with help and support from Visa.”

Cristina Doros

Visa Central Asia and Azerbaijan

“Under cooperation with the state, we deal with economic growth and infrastructure development. We have made a great contribution to the economy by its transfer to cashless payments. We develop our network of parcel lockers and payment terminals, now it is 3 out of 5 payment terminals and devices. By our innovations, we have contributed to equality and diversity and access to online services – almost every citizen can open accounts, sign documents online and have access to financial services online. For example, more than 12 million people out of 20 million have opened accounts with us. We care about public safety. For example, only our application was operating during the January events. In terms of cooperation in the area of education, we are developing our corporate university and sharing our knowledge. We also create the services for public services together with the state authorities and make services available to ordinary citizens. We have done a lot to improve the investment climate, having held a successful IPO in London, communicating with leading international investors around the world and talking about Kazakhstan. We actively help the SMEs develop. Today, about 500,000 entrepreneurs have access to our online platforms and technologies through the Kaspi Pay application, which help them to increase sales, to grow their business and create additional jobs.”

Mikhail Lomtadze

Kaspi.kz.

“We mainly interact through our fund. We cooperate in terms of equity and inclusiveness, education and sustainable development. It is also worth noting the development of infrastructure. Those charitable initiatives that the fund implements are conducted under the control of Verny Capital. For example, the botanical garden in Almaty, the construction of terminals at the airport in Kyzylorda, new schools in Issyk and Chilik, autism centres.”

Erlan Ospanov

Verny Capital

“We constantly cooperate with non-profit organisations, and we have a lot of joint projects. In 2022, over 100 Citi Kazakhstan employees with their family members and friends supported the local charities as part of the 17th annual Citi

Kazakhstan employees with their family members and friends supported the local charities as part of the 17th annual Citi International Volunteer Day. Volunteers held a Community Cleanup Day for the Kovcheg orphanage, helped with the delivery of food packages to families with children with disabilities - wards of the Liga Ak Bota public organisation in Almaty. The Citi team in Astana planted trees within the National Neurosurgery Center along with the wards of the Balam-ai Fund.

Thanks to the active participation of volunteers, in 2022 Citi donated 2,250,000 tenge to each of three charitable organisations: the Kovcheg orphanage - to repair the roof and buildings in the utility yard; the Balam-ai Fund - to equip a sensory room for classes with children with autism; the Liga Ak Bota Fund - to purchase the food packages for 81 families with children with disabilities and a wheelchair for a child with cerebral palsy.”

Saule Zhakayeva

Citibank Kazakhstan

“We cooperate on public safety, but by that term I mean financial literacy. People are not financially literate enough in our country.

There is a problem in too many laws based on populism or excessive social orientation of the state policy. Legislative consumer protection, conceived with the right intentions, is too often misunderstood by the general public. Consequently, there is a lot of rhetoric that creates dependent attitudes in consumers, for example, taking loans and hoping that they will be forgiven. This leads to an irresponsible attitude towards finances. Many people have still thought that commercial organisations, whether they are a bank or MFO, are responsible for helping them to pay off their debts. I believe that a law on bankruptcy of individuals has been required, but I do not think that it will change anything for us in the short term, because a limited number of our citizens will be able to use this law. It seems to me that the population has wrong expectations due to a lack of understanding of the mechanisms of the law, so the governmental authorities will need information coverage. I assume that the law itself will be further changed and made more effective on the basis of practice.”

Alexey Sidorov

Silkway Group

“We have been the first to insist that pedestrian (contact) fountains should not be made on high-voltage equipment, because there have been accidents, and this is contrary to the international safety standards. Now, as far as I know, no fountain in Almaty or Kazakhstan is built on such equipment. Earlier all fountains were designed this way. Public safety is what we strive for because we believe that swimming pools, water rides should be safe for people.

We try to implement the international initiatives and programs through our head office in order to participate in public-private partnerships in the facilities construction. We try to develop this, because our company is an official partner of FINA (Fédération Internationale de Natation), the International Swimming Federation, and, accordingly, we can help in the certification of the facilities, consultations during construction, equipping the facilities in compliance with all the standards and rules. It often happens that a lot of money is invested in a project, and then it turns out that competitions cannot be held in the pool since FINA standards and rules have not been taken into account. As the FINA partners, we help the project companies and investors to determine correctly the criteria that must be met if they plan to construct a competition pool. We know that there are certain standards, rules, requirements, and they must be followed when designing, constructing and equipping such facilities.”

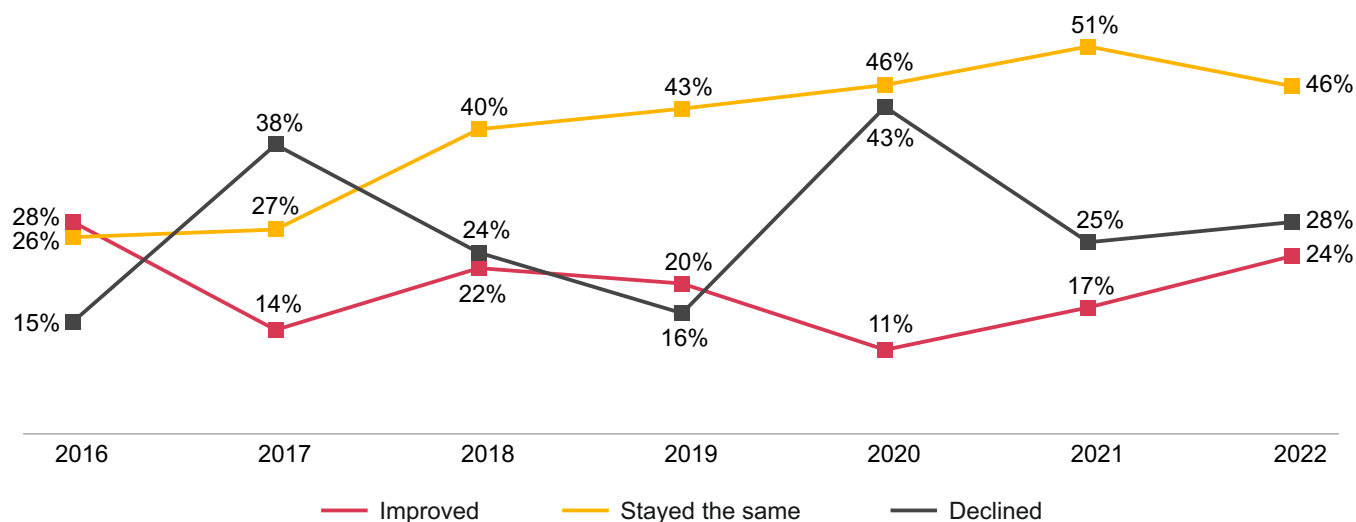
Mikhail Borisov

Fluidra Kazakhstan

Investment climate as seen by private business in Kazakhstan

Theme

Changes in the investment climate in Kazakhstan for 2022



“The investment environment has deteriorated. It is firstly affected by the geopolitical situation, and secondly changes in the taxation.”

Marat Seitkulov
Caravan Resources

“I think that the investment climate has deteriorated due to the geopolitical risks and the absence of a clearly defined strategy from the government. The presidential election has added certainty, it will allow many financial and industrial groups to be more “courageous” and more actively invest in the country.”

Serik Tolukpayev
Aitas-Group

“It remained at the same level, although the exit of McDonald's from the Kazakhstani market tends to be more negative.”

Karim Boguspayev
Glovo Kazakhstan

“The investment climate has not improved. Changing it requires a systematic, coordinated approach in making the government decisions assessing their impact on the economy, society and reputation.”

Olzhas Junussov
Kazphosphate

“The investment climate has probably remained at the same level for the time being. I don't know what has changed. Probably next year we will be able to see the dynamics. The investment climate worsened at the beginning of last year, improved at the end, and remained at the same level in terms of the amount.”

Mikhail Borisov
Fluidra Kazakhstan

“The investment climate has worsened for many geopolitical reasons. We are neighbours of Russia and China. Russia has been conducting hostilities for a year now. China and Taiwan have very tense relations. The January events in Kazakhstan also affected the perception of the stability of the Kazakh economy.”

Murat Alikhanov
1Fit

“It has left at the same level, and the fact that it has not worsened is already good, this is a victory. 2022 was a very difficult year for the region and for the country, and it is good that we have been able to maintain the investment climate.”

Kairat Mazhibayev
Resmi Group

“The investment climate has improved, at least in the IT sector. The existence of Astana Hub contributed to the inflow of investments into this industry.”

Anna Dyu
Noventiq

“The investment climate in Kazakhstan has improved by simplifying the procedures and reducing the bureaucracy. Kazakhstan has introduced a number of measures that have simplified business registration and licensing procedures. The number of administrative procedures was also reduced, that, in turn, reduced the bureaucratic costs. The Kazakh government actively supports the investment in the country by providing various forms of financial support to investors, including investment guarantees, loans and tax incentives. The expansion of special economic regime zones has also had a positive effect on the investment climate.”

Kazakhstan continues to expand the special economic regime zones, which provide the investors with a number of benefits, including tax incentives and simplified procedures. Among other factors, I would like to note the infrastructure development. Kazakhstan has invested in its development in recent years, which has made the country more attractive. In particular, the construction of railways, airports, ports and transport routes has made Kazakhstan more accessible and competitive. The relocation of companies from Russia, Belarus, Ukraine to Kazakhstan due to the negative economic and political situation in these countries also had an effect on the potential improvement of the investment climate.”

Nurbek Sadykov
qCloudy

“The investment climate in Kazakhstan has improved due to greater predictability and reduced political risk. Many announced reforms will have a positive effect. But we should make a lot of work. First of all, stability and predictability as well as clear rules for investments, including stable laws are important for international investors.”

Mikhail Lomtadze
Kaspi.kz

“The investment climate has been left at the same level. Two parallel factors - the January events and the consequences of hostilities have an impact on this fact. As a result of the conflict between Russia and Ukraine, non-sanctioned parallel imports are developing in Kazakhstan, the tourist flow is growing, supply chains, logistics and routes are changing, and as a result, we have a growing sales market. In addition, the strengthening of ties with Turkey affects the investment attractiveness of Kazakhstan in agriculture and trade.”

Alexei Khagai
TSPM.

“It has left at the same level only due to the fact that the geopolitical situation has changed and Russian investors have come here. Without them, we could talk about the deterioration.”

Askar Baitassov
abr

“It improved, but it was solely the result of the confrontation between Ukraine and Russia. This is a coincidence of circumstance, the result of the fact that many companies cannot work in their home countries, rather than the result of changes for the better in Kazakhstan.”

Valikhan Ten
World Class Almaty

“The investment market in Kazakhstan actively develops, private investors and institutional funds appear within Kazakhstan, the state is actively involved in venture development - Astana Hub every year creates the platforms for novice start-ups who get access to investments from 500 startups, Quest Ventures. New investment funds have also appeared on the market - Whitehill Capital, Big Sky Capital VC.”

Bolatbek Ospanov
Smart Satu

“He has definitely improved. One of the reasons is the relocation of business to Kazakhstan because of the war. And this, in turn, develops the market for the personnel and consumption. But even if this had not happened, the local investment climate would still have improved due to the changes in Kazakhstan.”

Maxim Melnik
Satu.kz

“The investment climate is the result of our business ethics which comes from the top. Now there is a certain wave, it can hardly be called an investment climate, because it has been created by "squeezing" money out of Russia. Companies are leaving, some of them will want to set up their operations with us, others will move further - to Asia, Europe or somewhere else. Therefore, I will not be surprised if we see an upswing in the short term, when we start building logistics hubs and any new IT companies appear. Just then, it is important to have time to create long-term guarantees for this money. If we don't do it, then this wave will go further, where it is safer. This money is trying now to be somehow settled here, but what happens next will depend on how they are met.”

Konstantin Kulinich
Mary Kay Kazakhstan

“The investment climate has improved, but there are some proposals. I believe that we should invest in ourselves, and not look for someone to come and do it for us. Anyone who invests money in our country will not be interested in the well-being of the people, the country, in development of the level of competencies of local specialists and realisation of the potential of our youth. Profit is the main interest of such an investor. And it often happens that in pursuit of profit, such investors do not comply with the requirements of the laws of our country and do not invest in our population. I think we need to invest and grow the potential within our country.”

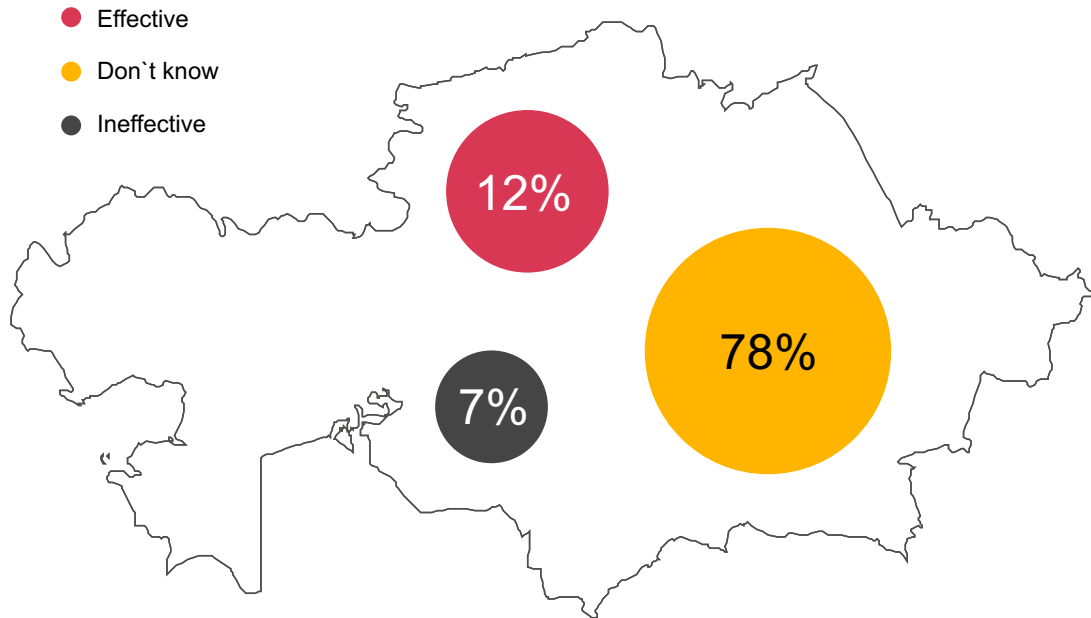
Nursultan Zhumabek
hoffmann aluminium

“In my opinion, the investment climate in Kazakhstan has improved. There is more openness, dialogue and interest from the government, which indicates the desire of the state to attract investments. The financial system has shown resilience, and in 2022 the right decisions to change the financial sector were made. In particular, the preferences related to the investments are being discussed. In general, the state remains committed to improving the conditions for today's investors and striving to attract new ones.”

Saule Zhakayeva
Citibank Kazakhstan

The effectiveness of the new Concept of Investment Policy of the Republic of Kazakhstan No. 482* dated July 15, 2022

Most of the respondents (78%) were not aware of the new Concept of the Investment Policy of the Republic of Kazakhstan until 2026 as approved by Decree No. 482 of the Government of the Republic of Kazakhstan dated July 15, 2022, therefore, it was difficult for them to assess its effectiveness.



“It is a rather vague document that I would not call a concept in the full sense of the term. Therefore, it is difficult for me to answer regarding its effectiveness.”

Serik Tolukpayev
Aitas-Group

“If the state wants to change something, then it is necessary to start with communications with stakeholders, i.e. you need to talk to people. If there is initially no dialogue there, then everyone will say “I don't know”, it will be the only honest answer.”

Konstantin Kulinich
Mary Kay Kazakhstan

“The concept itself is effective, it has been well written, but there are a huge number of macroeconomic indicators that certainly will not be able to compensate for the investment climate worsening. Even if the investors do and are able to comply with everything that is written in the document, there are concerns that they will not come to Kazakhstan due to the geopolitical situation. In addition, there are many levers of influence that the State does not envisage, and there are forces that will not allow it to implement policies.”

Yerkin Dlimbetov
Ordamed

“It is difficult for me to answer. I like the general message, the planning horizon – the document is designed for the period up to 2026. It is planned to increase the investment attractiveness at the expense of the manufacturing industry. But a complete reset is not provided in terms of what needs to be done in the manufacturing industry, how domestic, regional and global markets can be affected. Investment policy should be linked to the industrial and trade policies, in my opinion, everything should be more comprehensive. But, perhaps, this document is combined with other state development concepts that I simply do not know about.”

Kairat Mazhibayev
Resmi Group

“I didn't read it thoroughly. We had a meeting with Kazinvest, and I asked: “Do you have a specific package of documents or a document that determines what investment privileges an investor can have? For example, if STADA wants to build a plant in Kazakhstan, what would be?” There is no such document. Maybe there is a policy inside the country, but there is nothing like that for the external investors. I think that development of an approach to a specific idea could work, but on the other hand, there must be a first “hook”. That is why I say that the investment climate has not changed. So far, there is no efficiency for everyone in the world to talk about Kazakhstan as a very attractive country for investments.”

Arminas Macevicius
STADA

*<https://adilet.zan.kz/rus/docs/P2200000482>

“If this new concept of investment policy is implemented, it will be effective. In general, the vision is not bad, but the implementation mainly depends on the local officials.”

Bernard Vavrzhin
Mareven Food Tyan-Shan

“I think that the concept is quite effective.”

Karim Boguspayev
Glovo Kazakhstan

“All the measures described in the concept are undoubtedly important for raising the country's investment attractiveness. But we believe that they will not effectively operate until the demonopolization of the country's economy is completed, which Kassym-Jomart Tokayev, the Kazakhstan President has spoken several times in his speeches and which deservedly has become the motto of the "New Kazakhstan". Only time will show how quickly and fully the President's order in this direction will be executed. But without demonopolization which creates an attractive competitive environment for all market players, provides them with equal conditions and relieves them from bureaucratic delays, one cannot speak of the effectiveness of the investment policy directions indicated in the concept.”

Marat Zhuman
Atasu Group

“The concept of the investment policy of the Republic of Kazakhstan until 2026 is aimed at increasing the attractiveness. It introduces a set of effective measures to attract investments. A number of important aspects come to the forefront, including a better investment infrastructure and digitalization. I think that the special attention given to ESG issues is especially significant. This agenda is at the forefront in the global context, and now it is echoing in our country, which certainly contributes to the promotion of the investment position of the Republic of Kazakhstan.”

Alexandra Bekisheva
Engineering Company “Kazgipronefttrans”



Climate change and risks for private business

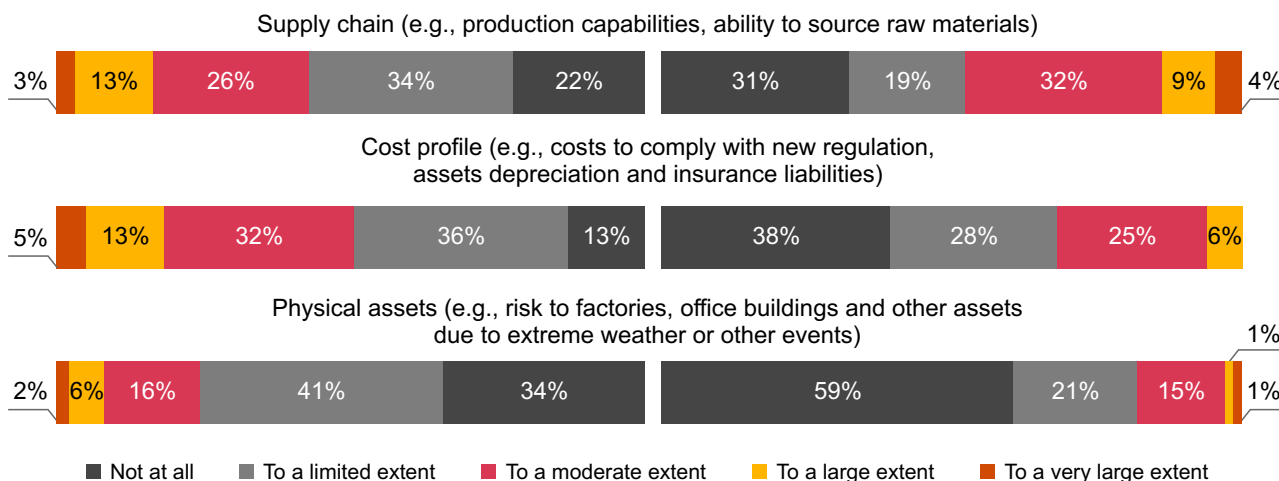
Theme

Impact of climate risks on business areas over the next twelve months

The climate agenda remains one of the most important aspects of sustainable development worldwide. While some companies have been forced to reschedule the planned climate risk mitigation initiatives, the businesses around the world are reflecting on their implementation and impact. Climate risks can directly affect the vision of a business both in the short and long term. Most executives expect certain impacts caused by climate change in the next 12 months. For Kazakhstani entrepreneurs, it is primarily the impact on the supply chain (45% expect moderate, large and very large impact) that can lead to delays, more difficult to obtain raw materials and reduce the production capacity. Globally, 42% of businessmen being surveyed noted the impact on the supply chain due to climate risks. 31% of respondents in Kazakhstan and 50% of respondents worldwide expect the impact of these risks on the cost profile, including compliance with new rules, depreciation of assets and compliance with insurance obligations.

Global

Kazakhstan



“Climate changes are clearly affecting the physical assets and supply chains. Our costs for cooling or heating buildings are rising. In 2021, there was a very big crop failure in Kazakhstan, and Russian suppliers became our main ones. Last year the situation in Kazakhstan was a little better. So now it is a very big concern what this year will be like: very high uncertainty remains.”

Serik Tolukpayev
Aitas-Group

“Schneider Electric is one of the first to set targets and commit to a carbon-neutral supply chain by 2040, which already imposes on us the responsibility of shifting to suppliers that are forward-looking and ready to reduce greenhouse gas emissions due to their activities. As with all new advanced technologies, these services are often more expensive and presented by a limited number of providers.”

Lev Appakov
Schneider Electric

“Physical assets and cost profile – we have already felt this impact to a moderate extent. During the past few years, strong hurricane winds have occurred in Almaty resulting in furniture deterioration, sunshades break at our summer sites, and we are forced to bear the cost of restoration. Climate risks will affect the supply chains. We work with local suppliers, but Kazakhstan has still received a lot of products from Russia. And if for some reason, including climatic reasons, deliveries are delayed, we immediately feel it: either the price rises, or the product is delivered late, and our manufacturers cannot ensure the stability of the quality that we need.”

Yuriy Negodyuk
Restaurant chains: “BAO noodle&sushi”, “Pinta”, “Tomato”, “The Banka”, “Paul”

“This will not affect them in the short term. As for the long term, there will be moderate influence from different sides. On the one hand, these are additional costs for adaptation to climate changes, new environmental requirements for the industrial enterprises.”

On the other hand, due to the fact that copper plays a great role in the energy sector, we believe that, on the contrary, the investment costs for transferring from CO2 caused by climate change will lead to a massive increase in investment that will affect the demand for copper.”

Marat Seitkulov
Caravan Resources

“The supply chain has a great impact. If in summer a truck, for example, goes 10-12 days, then in winter we plan a period of 3 to 4 weeks. Due to the strong rise in the energy prices, we have lowered the temperature at our factories, people have to dress warmer. Thus, even an increase in the cost of energy affects the efficiency of production. We consider cancelling the night shifts because it is expensive in terms of light and heating costs, and this is due to the climate and macroeconomic conditions.”

Kuanysh Ospanov
Sanofi Kazakhstan

“Cost profile - moderate impact for 12 months, in the future 5 years we will invest in the projects related to climate risks.”

Karim Boguspayev
Glovo Kazakhstan

“They will have a moderate impact. Let's take the RG brand company which is engaged in the production of beverages. Last year, due to the abnormal heat in the summer, we received quality claims subject to Russia closing the borders for the export of sugar. The substitution of sugar from alternative sources along with the abnormal heat has led the quality experts to find instability in the quality of the product. Then we had to take emergency measures. Now in the medium-term development program we pay great attention to sustainability in everything - in packaging, quality of the product, production and supply chains. The same abnormally cold winter this year in Uzbekistan and in the south of Kazakhstan affects the sales structure of our portfolio, and this affects everything - production, the supply chain.”

Kairat Mazhibayev
Resmi Group

“The cost profile may have an effect, but everything will depend on the policy of American corporations. If they impose all regulatory requirements on the countries in which they operate, it may increase the cost of the final product and have a limited impact on our business. For example, we observe the impact on supply chains due to climate change in Asia.”

Anna Dyu
Noventiq

“Since we are the users of the office building, like all other companies in Kazakhstan, if the risks caused by climate change increase, we will be affected like everyone else. Anyway, now there is limited impact, and it is hard to say for the next 12 months.”

KCristina Doros
Visa Central Asia and Azerbaijan

“Climate risks may have a limited impact on the physical assets. We have neither factories nor physical assets. We rent office buildings only. And the latest incident in Turkey puzzled me. Probably, it is not necessary to live in very high skyscrapers, this is a certain danger.

The climate risks will have a moderate impact on the supply chain as we look for greener production, and this may affect pricing. On the other hand, we are not afraid of this, because the consumers are willing to pay for it.”

Arminas Macevicius
STADA

“Physical assets – moderate impact. There is always a risk of an earthquake, but the ecology issue is the most acute today. Two years ago, it seemed reasonable for us to move delivery to electric vehicles. But the delivery market is changing very quickly, and today we are completely switching to outsourcing and to more mobile types of transport. We are going to increase the efficiency and to simplify the entire model. It makes no sense to buy or rent electric vehicles. The speed forces everyone to reassess.

In the future, the cost of delivery will become more expensive, it is growing now. We work with aggregators, and there the average cost of delivery is already 700–800 tenge. I think our own delivery will grow. We plan to grow 2-3 times in the coming years. Delivery will also grow in the aggregator market, but in 2023, in my opinion, the winners of this market will be determined. So far, all aggregators are fighting for a share, but it is impossible to spend such a large amount of time and money for a long time, respectively, the winner must be determined. Now our group accounts for about 30% of our own delivery. Since January 2023, we have switched to exclusive with Wolt, and, accordingly, disconnected from all other aggregators.”

Askar Baitassov
abr

“There is a human factor: it is difficult for sales agents to visit stores physically in bad weather, but stores can conveniently use our application, have access to the entire range of the supplier and its direct prices, promotions. The store owner can independently place an order from anywhere regardless of weather conditions - from the store, at home or on the way to work. The sales representative of the supplier can instantly see, adjust and supplement all orders made by stores using his/her own application remotely.”

Bolatbek Ospanov
Smart Satu

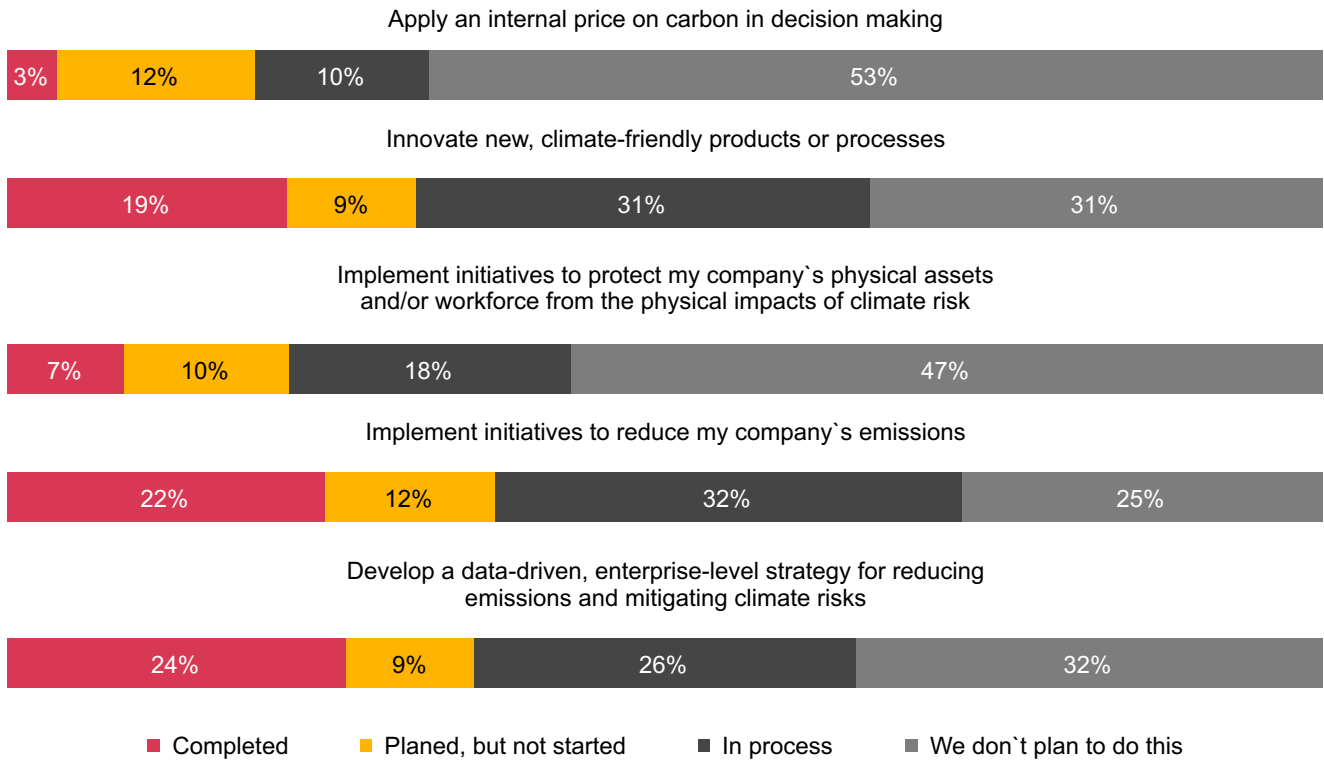
“The cost profile has a moderate impact, it's more on the ESG aspects. There is a certain dynamic in the provision of target funding lines and the growth of corporate social responsibility in the world. We have had ESG reporting since last year, but now I would prioritise S - the social aspect, what we are doing for the society and the state. Last year, we spent about 100 million tenge on uniforms for the Almaty ambulance. For us, this is a higher priority than the environment. In the future, we will implement these initiatives more and more and are already engaged in such a dialogue with the regulator. I think that in a couple of years, all banks will be required to show their ESG reports.”

Kiril Bachvarov
Home Credit Bank

Measures to prepare for the risk of climate change in Kazakhstan

It is required to plan and implement some efficient measures in order to prepare for the risk of climate change in a quality manner. At this stage, some managers (24%) have already completed the development of their strategies to reduce emissions and mitigate the climate risks, 9% have planned to develop such strategies and 26% are still under development. 32% of businessmen are implementing the initiatives to reduce emissions and 22% have completed their implementation. 31% of entrepreneurs note that they are at the stage of introducing new, climate-friendly products and processes, 9% have planned but have not yet begun implementation, and 19% have already introduced them.

Measures to prepare for the risk of climate change



“We are implementing the initiatives for reduced emissions, we have a modernization program underway, and it has been partially completed. Since we are industrial production, we are subject to regulatory changes in the climate risks, and modernization will be continuous. We are also introducing new, climate-friendly products. Now our transparent light structures are the main driver of our growth. It is important to note that, for example, it is impossible to melt a painted profile in European countries, first the paint is removed in special acids and then melted, moreover, it is forbidden to establish any casting shops. We do not have such standards. Currently, a temporary restriction has been introduced in our country on the export of aluminium scrap, as a result of which aluminium scrap is melted using coal. The furnaces where it is smelted do not meet any environmental requirements; moreover, there are no prescribed standards. This causes great harm to the environment and is one of the significant causes of air pollution both in Almaty and throughout Kazakhstan. We plan to fight this, initiate inspections, work on the laws and find out why this is allowed and not properly controlled by the competent authorities.”

Nursultan Zhumabek
hoffmann aluminium

“We have a global program up to 2050, and we comply with it. We don't have factories in the countries I'm in charge of, so we're only implementing this program here at the office and sales department level. Globally, there are already measurable results - for example, in the USA, all our plants are powered by renewable energy sources. They measure a huge number of parameters including the contribution of the entire supply chain. Besides, they measure the carbon footprint both from Mars and also from all the suppliers working with us.”

Mikhail Bazanov
Mars Kazakhstan

“To implement initiatives for reduced emissions: recycling is a ‘must have’ for us. We do not throw away food that for some reason has not been accepted by the client. We have 4 special collection points in Almaty, 3 points in Astana where we deliver cancelled orders.

To introduce new, climate-friendly products or processes: Spain has a pilot eco-packaging project. Now the main problem is that this type of packaging costs 3-5 times more than plastic, so businesses have to choose inexpensive packaging. We, as an aggregator, solve this problem as follows: we make a single purchase of materials which will allow us to have an impact on pricing and distribute eco-friendly packaging among partners. In Kazakhstan, we have the ability to deliver food in recycled paper bags that can be recycled.”

Karim Boguspayev
Glovo Kazakhstan

“We are constantly implementing initiatives for reduced emissions, and it's not just about CO2. We also welcome and implement waste sorting, water recycling, and this is stated in our ISO. In greenhouses, we collect rainwater in a specialised lagoon, purify and use for irrigation. We capture CO2 emissions for processing and use to enrich the soil as fertiliser.”

Farrukh Makhmudov
Orbis Kazakhstan

“We do not plan to use the internal price for carbon when making decisions. We have a different agenda now. We plan but have not yet begun implementation of initiatives to protect the physical assets and workforce from the physical impact of climate risks. For us this is not yet a priority. We are developing a data-driven strategy at the enterprise level to mitigate the climate risks. There are already a lot of developments related not only to emissions, but, for example, to the level of efficiency in the use and treatment of water. We are making good progress that encourages us to have more ambitious goals.

We are introducing new, climate-friendly products and processes. This is serious work, and many entrepreneurs and corporations do not like it, because the results do not appear quickly, they are not obvious. At the very beginning, it seems that you are solving social problems more than the problems of your business. But our last year's case with quality stability showed that this was quite a delicate balance. It would seem that, based on the specifics of our activities, we should be interested in the climate becoming hotter. But in fact it is not. Abnormally hot summer last year turned out to be problematic challenges for us in business.”

Kairat Mazhibayev
Resmi Group

“To implement the initiatives for reduced emissions or waste - we are thinking about it, it is under way.

We are currently looking for methods to reduce the amount of paper being consumed by us, as well as the methods to collect and sort waste so that we can be more disciplined. In terms of reducing emissions, we consider making our car fleet to be environmentally friendly, but I am concerned about the shortage (currently only 37 available) of charging stations in Almaty. This amount is probably even lower in the provincial towns. Nevertheless, I am following this issue closely, and our next replacement of cars will probably be at least with hybrids which are also not plentiful in Kazakhstan now.”

Arminas Macevicius
STADA

“There is an ESG agenda, but not a priority. We are implementing the initiatives to reduce the company's emissions. Since last year, we began to work without intermediaries with Kazakhstan Kagazy and created our own control, processing and delivery service. We transfer the plastic and cardboard for recycling and sorting. Magnum doesn't throw away anything, we are quite an environmentally responsible company. We measure the results, but so far we do not announce them publicly. We have also drastically reduced the consumption of plastic bags. Magnum was one of the latest in the CIS to introduce the package fees in 2017. It is important that we donate all the proceeds from the sale of packages to charity. Now the production cost of packages has increased, and their price does not cover the production cost, but at the same time we have decided to continue to send the previous fixed amounts to charity.”

Azamat Osmanov
Magnum Cash & Carry

“This year we plan to launch a waste sorting initiative, we will audit our suppliers to explore the possible transfer to electronic invoices, this will reduce paperwork.”

Anna Dyu
Noventiq

“Development of a data-driven strategy at the enterprise level to reduce emissions and reduce climate risks: we will have a separate project to reduce the amount of packaging. Moreover, we are engaged in delivery, so we will work to improve its efficiency in terms of the use of transport. Implementing initiatives for reduced emissions is under way. We've partly agreed with the suppliers that we return the products that have not been purchased and are about to expire. But unlike physical stores, we have centralised logistics, we serve the whole city from one warehouse in Almaty and Astana, so the overall level of damage and delay of goods is lower than in physical stores. But in general, there is a return to the suppliers. In addition, both in Kazakhstan and in the United States, we practise the transfer of products that have not expired to special organisations supporting vulnerable segments of the population.

As for refusal from plastic packaging or plastic bags, there is a lot of debate concerning what is actually more harmful, plastic or paper, because plastic is recyclable, paper is not. At the same time, there is no general practice of recycling plastic in Kazakhstan, while paper recycling is resource intensive, although paper packaging is perceived as more environmentally-friendly. Therefore, we see our task in reducing the amount of packaging in general.

But in a company with more than 600 employees, it is hard to change all the processes associated with minimising the amount of packaging in one day. This requires some effort. We do not plan to switch to a more environmentally-friendly mode of transport in the near future, but when it becomes financially affordable, we will gladly switch.”

Alexey Lee
Arbuz.kz

“We have completed the development of a strategy to reduce emissions, and we are living under the implementation of this strategy for a zero footprint of emissions. The strategy has been developed and is being implemented, we have already offices that have reached zero.

We are constantly introducing new, climate-friendly products or processes whenever possible. For example, biodegradable plastic cards have been developed, and we are actively offering them to our partner banks.”

Cristina Doros
Visa Central Asia and Azerbaijan

“We are constantly working more efficiently. For example, we are continuously reducing our carbon footprint due to optimization and delivery efficiency, and we are also setting up parcel lockers throughout the country.”

Mikhail Lomtadze
Kaspi.kz

“We currently consider the green agenda issues together with the EBRD and IFC. We will review and study any possible steps to reduce our footprint and decarbonize. In general, our plant is quite new and has been built subject to all the necessary requirements. Our emissions are minimal, we use gas for the production and heating. As for the safe processes introduction, we have initially tried to establish them, for example, our loaders are the electric cars. We give most of our rubbish and waste for recycling. We have considered the options for more sustainable packaging, but currently, none of the suppliers is ready to work in this area. We have another main task. This is security. The ingress of air into the product provokes accelerated oxidation and deterioration, now only polyethylene packaging can provide the high tightness. There are already technologies for paper packaging with special impregnation, which the Nissin Company has implemented, but this is quite expensive and requires serious investments. We will continue to look in this area and explore the possibilities.”

Bernard Vavrzhin
Mareven Food Tyan-Shan

“We started to apply all ESG initiatives before this agenda appeared. The ESG agenda is a kind of improvement of a number of initiatives aimed at environmental protection, improved working conditions and so on. So far, I think that the ESG concept is rather raw and to a greater extent shows a trend. We have always done continuously everything described in the principles of the concept. When we were designing the new plant, well before the ESG agenda, we were already thinking about all the necessary environmental protection measures. When Talan Towers were being constructed, we also applied the green technologies. I always look for the essence, not the form.”

Erlan Ospanov
Verny Capital

“We implement internal initiatives to reduce emissions, such as collecting recyclable materials from tenants and visitors to the shopping mall (paper, cardboard, plastic, vending machines for receiving plastic and aluminium containers). We have also modernised the heat and cold supply systems that have made it possible to save more than 12.5 thousand tons of water and 1.8 million kWh of electricity per year.”

Alexei Khagai
TSPM.

“We are currently calculating our carbon footprint together with our French partners. We have an advantage due to the crop production, and there is a disadvantage in terms of poultry rearing and processing. The next steps will be the verification of our calculation systems to accept the carbon footprint action plan in the future. Since we are now at the stage of calculations and verification, we have already known approximately how much we can earn from the sale of carbon credits, but we do not yet know the disadvantage of it - there are several opinions. In other words, we have already known how much money we can get, while we don't know yet how much we will have to pay.”

Serik Tolukpayev
Aitas-Group

“We have completed the implementation of the company's emission reduction initiatives and introduced climate-friendly products. The Altivar frequency transformer is recognized as the most climate-friendly product by Handprint. The SF6-free AirSeT medium voltage cell has been awarded with a certificate for its high carbon footprint potential. Most distribution centres around the world have switched to 100% recycled cardboard.”

Lev Appakov
Schneider Electric

“We are developing a strategy to reduce emissions; in our case, we are talking about the waste and the use of plastic. We mainly work with packaging. We want to use reusable packaging with a return. Unfortunately, this service is not popular among our guests. Only 1-2% of delivery users use the plastic tableware return service.”

Askar Baitassov
abr

“The special attention is paid to the sustainable development among 9 values of the company. This is a great direction with various aspects including reduced emissions. We approach this issue from several perspectives. First of all, as a design company, we responsibly provide such technical solutions that help our customers to protect the environment, take care of energy consumption and protect the lives of people who will operate the industrial facilities designed by us. Another aspect is the active promotion of alternative energy technologies in the Republic of Kazakhstan. Our engineers have a reason to be proud - Astana EXPO-2017 100 MW Wind Power Plant has been designed and is already successfully operating. Moreover, our employees contribute when they can to reduce emissions by showing through personal examples how to implement sustainable development. Such initiatives include a policy to reduce plastic consumption, an eco-cleaning day, garbage separation and eco-boxes installation, a daily Earth hour with turning off electrical appliances and lighting, planting seedlings in cities where the company operates.”

Alexandra Bekisheva
Engineering Company “Kazgipronefttrans”

“We have food waste to be disposed of to farms, and cooking fat to be provided for processing. We try to use eco-friendly packaging, and minimise the use of plastic. In the warm season, we recommend our delivery men to use scooters because it is convenient, cheap, fast and more environmentally friendly than by car.”

Yuriy Negodyuk

Restaurant chains: “BAO noodle&sushi”, “Pinta”, “Tomato”, “The Banka”, “Paul”

“All distributors have their own fleet of vehicles that deliver the products at a certain time interval, and this huge fleet of vehicles is idle for a significant period of the time. Based on our analytics, we understand who and when makes an order. We plan to enable the supplier-distributor to make its resources available in the outsourcing in order to operate the transport resources more rationally. It will reduce idle trips of trucks around the city, reduce the load of transport within the city and will have a positive impact on the environment in terms of exhaust emissions.”

Bolatbek Ospanov

Smart Satu

“Our team launched an air quality monitoring system in Almaty with a limited number of professional sensors but with a further expansion plan, as well as completing the system with the water quality sensors. For information, we have also prepared and submitted a project to create an early warning system for mudflows for Almaty, Zhambyl, East Kazakhstan Oblasts and a project for an early warning system for floods in Astana to the relevant authorities for consideration.”

Erik Shortanbayev

Skymax Technologies

“We sort waste inside the office, our employees can bring sorted waste from home to the office. We have traditionally produced a lot of pharmacy branding print materials and are now switching to recycled print materials. We avoid plastic as much as possible. We buy cars with reduced CO2 emissions for our fleet, reduce the number of business trips in order to reduce the number of flights, and arrange for the garbage collection events within Almaty. We have hired consultants who calculate our carbon footprint, use renewable energy sources.”

Kuanysh Ospanov

Sanofi Kazakhstan

“We introduce chlorine-free water treatment systems, new filter media reducing the water and electricity consumption by several times, new irrigation system control controllers that save up to 60%. For example, our technologies allow us to save the titanic resources in Turkestan where there are some problems with water. And even our chemistry has been already made on the basis of formulas that are safer for humans and the environment. The difference between our chemical products is that they are more technologically advanced in terms of chemical formulas and innovations and, as a result, more economical. We confidently make it and, probably, the only ones who bring all this to Kazakhstan. It's rather hard to convince people that investments in technology products save money. We always defend the modern and economical solutions at the state level; almost every facility which we design or equip is built using modern disinfection and water treatment systems. They are both electrolysis, hydrolysis and ultraviolet systems and also the more advanced systems based on AOP (OH radical) technology. For example, the water treatment of the Olympic swimming pool in Taldykorgan has been built using this particular AOP technology, which can significantly reduce the chlorine concentration in the water.”

Mikhail Borisov

Fluidra Kazakhstan

“We study the issue of developing a strategy to reduce emissions. We have an international partner and we discuss the issues related to reduced emissions. Moreover, the result can be not only climate-responsible development of the company, but also additional income from sales of CO2 quotas and even a premium to the products being manufactured.”

Marat Seitkulov

Caravan Resources

Trust in the team and transformation

Theme

Sole decision-making or ability to delegate

The CEOs need the support and help of their top management to respond more quickly to change. Trust and delegation of certain powers are an integral part of this process. It is interesting that 71% of Kazakh CEOs have noted that the managers in their companies may rarely or sometimes make any strategic decisions for their functions independently. The leaders have also said that the managers in their companies in most cases (69%) encourage differences of opinion. According to the CEO, 37% of top managers often or in most cases make small mistakes or fail, which is a natural development. Leaders treat this as an experience noting that it is inevitable and at the same time a good way to learn.



“The managers in my company very rarely make strategic decisions for their function or division without consulting me or the board of directors. Verry Capital strategically manages the assets through the Board of Directors. Moreover, our model is more British than American, that’s why the strategy development is the privilege of the board of directors. As for the encouragement of disagreements for decision-making, we rather call it “variation of opinions”, that often occurs. We always take into account and listen to the opinions of our colleagues.”

Erlan Ospanov
Verry Capital

“The managers in my company must make their own operational decisions and are required to take part in the strategic decisions within their areas, where I will have the final choice on the strategic initiatives proposed by the management and investments. Decentralisation is more effective than centralization. Every month we look at the results to understand the effect of the decisions made, and it enables us to adjust the plans, evaluate the work of the team and discuss new ideas. Sometimes the mistakes give us more ideas and lead to a better solution in the end.”

Farrukh Makhmudov
Orbis Kazakhstan

“The managers in your company fail a little”. It happens from time to time, and we are encouraged if we speak about small failures. If in doing so we strictly follow a certain strategy, we internally then ask our employees not to be afraid to try new things, to take risks, because otherwise there will be no progress, there will be no initiative. Everyone makes mistakes; the issue is to learn from them and don't make mistakes within their global strategy.

“The managers in your company make strategic decisions for their function without consulting me” - this is possible as the case may be. Our planning system assumes that if we have approved a strategy for a certain period, the managers can on their own make decisions within this strategy when it is referred to planning, for example, for three months.

“The managers in our company encourage dissent and discussion” – it happens all the time. You cannot compete in the market if there is no competition within the company. The employees' behaviour is consistent with the values and directions of the company in most cases. When a company grows rapidly, the proportion of such employees decreases, when growth slows down, it rises. This is a natural process.”

Kairat Mazhibayev

Resmi Group

“The managers in our company encourage entrepreneurship and discussion, dissent and discussion are welcome. It happens all the time. Every year we conduct the corporate training for the entire staff of the company from different regions. Last year, we conducted a business training for top management, measuring how healthy the atmosphere among the management was. I was very happy that we had a high degree of trust. But sometimes, for fear of offending the colleagues, we are embarrassed to express our opinion. We disagree, but we do not discuss, and it should be done more often. That's what we're working on.”

Anna Dyu

Noventiq

“The leaders in my team fail a little - this is even welcome. We assume that only those who do not work are not mistaken; we welcome mistakes. When a person makes a mistake several times in one place, this cannot but alert them, but in general, the mistakes are good. It is impossible, especially in today's world due to its changes, to require a person to avoid mistakes. In my opinion, this is equal to a requirement not to develop. Therefore, the managers fail a little, move on and learn to live with it.

Strategic decisions are made jointly with me, and at the same time, the managers in the company have a very large share of independence in making their decisions.”

Cristina Doros

Visa Central Asia and Azerbaijan

“We have a normal attitude to the small failures, they happen to everyone from time to time. Earlier a loss of 10 thousand US dollars was significant for us. Now we can afford even greater losses, the main thing is that it does not happen again. We fix failures, try to complete them and learn from mistakes; it enables us to develop the managers and grow further as a company. With regard to the strategic decision-making by the managers, they usually agree with me. The strategy should be unified, we update and adjust it every year. The managers must move within the strategy adopted and make any tactical decisions at the level of their responsibility.”

Bernard Vavrzhin

Mareven Food Tyan-Shan

“The final results of the projects I am reviewing tend to meet or exceed their initial financial forecasts; more often any project is more expensive, but in the long term, the results can "catch up" with the costs. This is probably the essence of a man - we are always optimists, this is our great happiness and unhappiness at once.

The managers in my company rarely make the strategic decisions for their function or division without consulting with me because we always make strategic decisions together. We have a peculiarity - we manage on the basis of values and are guided by the mission and purpose. We define long-term, medium-term strategies and strategic priorities (the latter is the decomposition of medium-term goals). That is when making decisions, the management always understands and sees how they affect the strategic goals.”

Serik Tolukpayev

Aitas-Group

“The final results of the projects we are reviewing tend to often meet or exceed initial financial forecasts. We start the project 7-8 months before its opening. But during the last two years, the cost of the project has changed so quickly that we do not have time to correct it. Often we do not have time to keep an eye on price increases. Kitchen equipment has doubled in price over two past years.”

Yuriy Negodyuk

Restaurant chains: “BAO noodle&sushi”, “Pinta”, “Tomato”, “The Banka”, “Paul”

“The managers in my company fail a little in most cases. When we start new projects, everyone thinks differently about their final result. It is clear that something good needs to be done, but the question arises, what should it finally look like? Now we are working on a new project - the base for running. There are many running schools and running clubs in Almaty, but I want our project to be radically different from everything else. We want to give an academic approach, learning in terms of the biomechanics of running, provide the foundation of endorphin running, and teach people to love running from the first step. The managers within the company do not always understand what needs to be done to achieve the desired result, so the mistakes happen.”

Valikhan Ten

World Class Almaty

“Failures work as fuel for my development and for the team development. We learn from mistakes, and it is normal. As for making the strategic decisions, the leaders in my team sometimes make them without consulting me. They have such powers. For example, a project manager may report that there is a function to be launched now and because of this, previously planned initiatives should be postponed. If this is critical and can lead the company into turbulence in the future, then the leaders make the decisions and act on their own.”

Maxim Melnik

Satu.kz

“The managers in my company very often make strategic decisions for their function without consulting me; we have got there. For several years we have been building a culture that facilitates and encourages even the wrong decisions. We had such a strategy from the very beginning - to recruit a young team and do everything to make them grow. And how can a leader grow if he/she is not provided with the powers to make decisions and be responsible for these decisions? Sometimes this is expensive, but due to this fact the responsibility increases, and overall efficiency increases.”

Alexey Sidorov
Silkway Group

“The managers in my company fail a little. I think it's a matter of terminology, that is, what you may call a failure. It happens that a failure is a situation when the result does not meet the expectations. But I have a different view. I think it's an experience or even a part of the path to success. For example, the story of Edison's inventions, when he put one experiment after another, but did not get the desired result. Each such experiment individually could be called a failure, but together they form the path to the invention that made him famous. He himself liked to joke about this: “I invented a thousand ways how a light bulb should not burn.” I also think that it is much more correct to treat such things as an experience, as a path rather than as failures. It's hard for me to remember anything that I could call a failure and certainly not a fiasco. The main thing is that we do not stake very high. It happens in the technology companies when they launch a project, make emphasis on one thing, and if it fails, it can be fatal for the business. We are getting smoother in this sense. We are growing consistently.”

Konstantin Kulinich
Mary Kay Kazakhstan

“The final results of the projects do not always correspond to the initial forecasts, but it does not depend on people and possible errors. For example, our final results have been affected by inflation, and it is not our fault.”

Nursultan Zhumabek
hoffmann aluminium

“Usually the predictions made by me with my team correspond with an amplitude of about 10% to what we get. We have procedures for strategy development, and I always participate in them. The teams always coordinate the strategic decisions with the supervisory board.”

Nikolay Mazencev
Chocofamily Holding

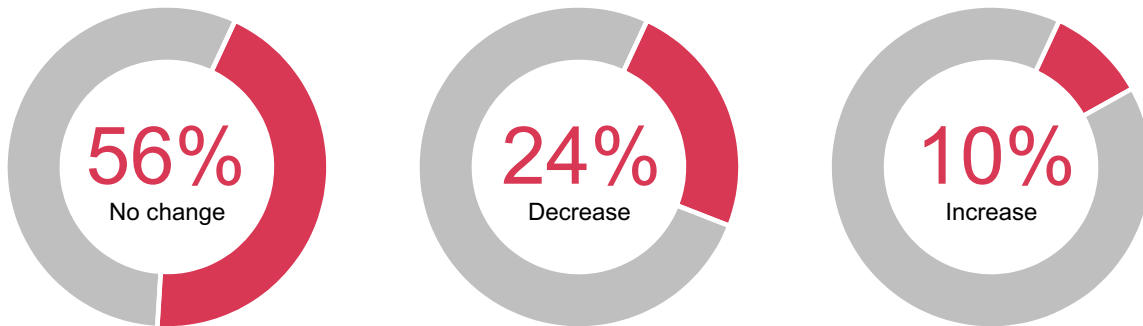


Employee layoff/retirement rate over the next twelve months

More than a half of Kazakh respondents (56%) expect the employee's layoff/retirement rate to remain unchanged in 2023. 24% of the managers predict a decline, 10% expect an increase.

Employee layoff/retirement rate over the next 12 months

Kazakhstan



“I think we will have a moderate increase in the layoff rate. Now we are seeing the compressed spring effect, the turnover has slowed down, now, on the contrary, the staff are moving towards us and data is being distorted. I want to believe that it will be better, and people will continue to strive for the same things that they tend to do in peacetime.”

Nikolay Babeshkin
Kolesa Group

“Our layoff rate will be changed, this is due to the process management implementation. There is such a thing in the implementation process as “adopting a new work algorithm”, and many people are not simply ready to shift or change something and will not be able to work in a new way, people will leave, there will be some kind of rotation, a natural process. I expect that this year we will have a significant process. It is good for us, it is a kind of recovery, because the main limitation is people, and often these people are top management, which, with their thinking, cannot be reorganised, but everything changes very quickly. Whether we are successful or not is how we can respond to these changes. It’s the adaptability that’s supposed to be, and a flexible mind understands that.”

Mikhail Borisov
Fluidra Kazakhstan

“The layoff rate will definitely be increased in the coming year. Not everyone changes its views, not everyone is ready to accept the real situation. Some people live in their own world that existed before the pandemic. They cannot adapt to reality, and such employees are dismissed. Now this process has accelerated due to the large number of accompanying events. At the beginning of last year, I had to lay off two marketing experts who were great specialists who still couldn’t adapt to the growth of our ecosystem.”

Valikhan Ten
World Class Almaty

“It will rise slightly. Many employees do not like the company transformation, and many people will be laid off due to a lack of understanding of the new rules.”

Yerkin Dlimbetov
Ordamed

“A slight decrease is possible, because we urgently need high-quality personnel. Over the past few decades, the retirement age has not changed radically - it was 55 years for women, 60 years for men, it became 57 years and 63 years, respectively. In my opinion, this is wrong. As for social protection, maybe there is a reason for this, but the quality of life and life expectancy have changed a lot over these decades. Earlier, people at the age of 60 were really old, now 57-60-year-old women and men feel quite young and active, they have another 10-15 years of quite active professional life. Humanity has not yet come up with what to do with it, so that their life during these years is full. This also concerns the professional aspect. Therefore, such personnel is a huge asset that should ensure succession in the companies. We will hold on to these people, and the only issue is that they help our development rather than slow it down.

We intend to attract more qualified personnel. Over the past year we have attracted good specialists who came to Kazakhstan from Russia and Ukraine. We hope that the military conflict will be resolved at least in the medium term, and then this will cause a reverse situation with these personnel from Ukraine and the Russian Federation. We need to try that our divisions do not critically depend on the foreign personnel with short planning horizons. Meanwhile, the Russians and Ukrainians who work for us are excellent colleagues in terms of the culture and technological training. We work well together and get along very well.”

Kairat Mazhibayev
Resmi Group

"It has grown over the past year, and it will continue to grow slightly in the long term. We are a stable and fast growing company. We have employees who have worked with the company for more than 15 years. We encourage employees to work for 5, 10 and 15 years. But we noticed that there are problems with the generational approach. Young people are not attracted by the prospect of working in the same company for several years, especially in such professions as engineers and marketing experts. They are motivated in a different way when choosing a job compared to the older generation.

We have noticed that geopolitical changes are affecting the mental and emotional state of the employees and have introduced some activities for our employees, such as yoga classes twice a week, to increase resilience and reduce stress levels."

Anna Dyu
Noventiq

"Speaking of the employees in Central Asia and Azerbaijan, I can say that no one will retire in the near and even in the distant future because the average age of the company's employees is much younger than the retirement age. As for the layoff rate, I think it will remain unchanged. Some kind of personnel turnover happens constantly for certain everyday reasons, and I don't think that anything will change in this context."

Cristina Doros
Visa Central Asia and Azerbaijan

"The employees' layoffs/retirement rate will remain unchanged. The average age of our employees is up to 35 years old, but we also have people who have worked for 20 years in the company. Last year, Stada celebrated its 20th anniversary in Kazakhstan. We do not have any colleagues who are near retirement age, we are quite young."

Arminas Macevicius
STADA

"The layoff rate will be slightly decreased as we have already optimised the staff doing monotonous operations. This is due to the automation in our company. We have switched all communications with tenants to online mode, switched the marketing to digital and expanded it, removed almost all events and activities due to the high attendance of the shopping mall, and now we are putting into operation an automated procurement portal."

Alexei Khagai
TSPM.

"I hope the layoff rate will drop moderately. We work to reduce the employee turnover: improve the working conditions, build more systematic employee growth programs. The main number of employees of the restaurant is the operating unit. We have engaged a new operating director who is changing the management system. We have 2000 employees and 90% of the staff will be affected by these changes."

Askar Baitassov
abr

"I hope that the number of layoffs will decrease, as there is a lack of staff. We think twice before laying off someone."

Iliyas Issatayev
Invictus Fitness

"In our opinion, it will remain unchanged. The first reason is that the delivery segment is quite new for Kazakhstan, people like to work here, and if they leave, then, as a rule, they go to a similar business or start-up. Secondly, we have a very low staff turnover, we see it according to the results of three years. Glovo Kazakhstan has about 60 employees, exclusive of the support service."

Karim Boguspayev
Glovo Kazakhstan

"Compared to last year, given the fact that in 2022 we had quite a lot of layoffs (we made a one-time serious reduction in the spring), then in 2023, of course, there will be much fewer layoffs. We don't plan to hire a lot. The number of employees will be about the same as in 2022."

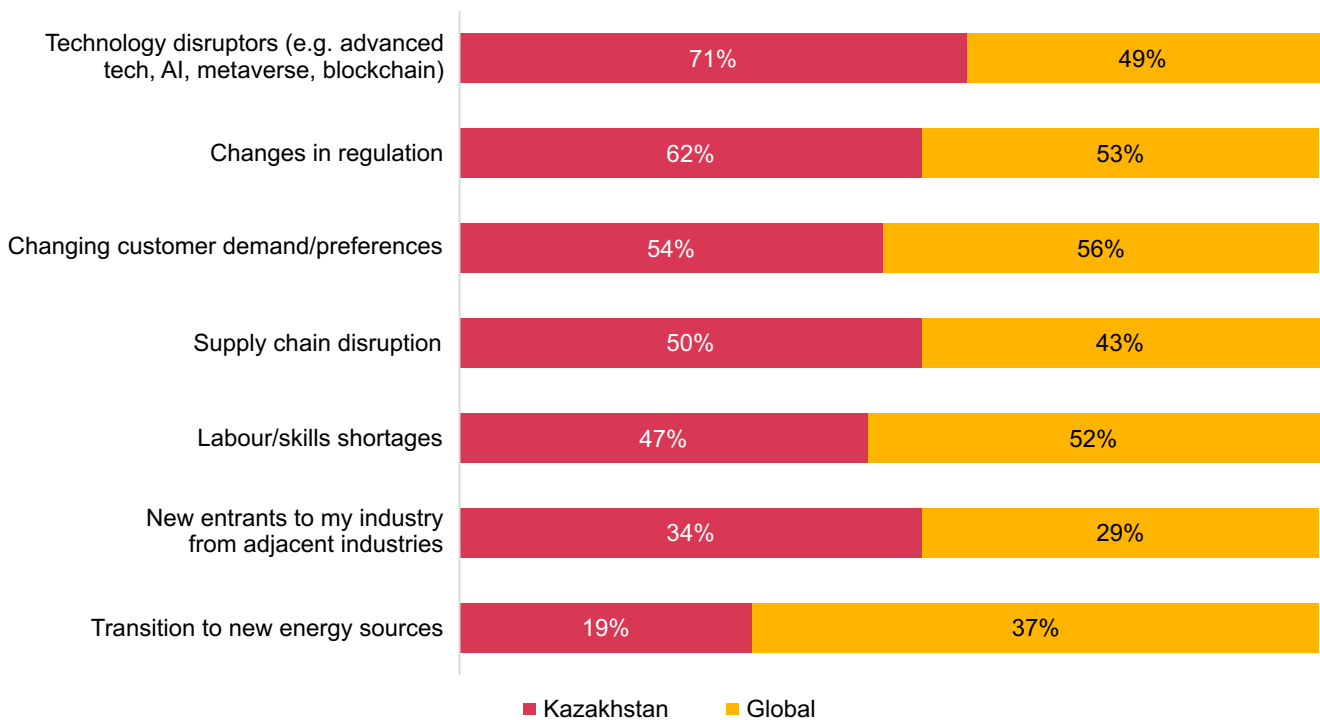
Nikolay Mazencev
Chocofamily Holding



Factors to influence the industry business in the next ten years

Our study involves the private business leaders from various industries. When asked about the factors that have the greatest impact on the profitability of a particular industry, the majority of CEOs in Kazakhstan (71%) have noted breakthrough technologies, while less than a half of the respondents (49%) in the world have mentioned them. More than half of respondents in Kazakhstan (62%) and globally (53%) believe that changes in regulation will affect the profitability of their industry over the next 10 years. Changes in the customers' demand or preferences always affect the companies. Over the years, with technology development, new trends and changing habits, businesses are forced to adapt and offer new solutions, services and products. This factor will continue its influence both globally (56%) and in Kazakhstan (54%). If the opinions of managers are approximately the same on most factors, then there is a noticeable gap between Kazakhstan and the world in matters of transition to new energy sources and their impact on the industry. With the fact that such a transition will affect the profitability of the industry in the future, 37% of respondents in the world agree, and only 19% in Kazakhstan.

Factors to influence the industry business in the next 10 years



“Breakthrough technologies may significantly affect the public cloud industry over the next 10 years. For example, quantum computers can significantly speed up computing and data processing which can lead to significant improvements in the performance and speed of cloud services. It can also lead to possible creation of stronger security and data protection systems. Artificial intelligence can help to improve the performance and optimise resource usage in the cloud. By means of artificial intelligence, you can automatically scale the resources based on the demand to ensure the maximum performance. Artificial intellect can also be used to analyse data, detect any threats and improve the service quality.

The public cloud industry is constantly developing and changing, so the list of skills and specialists that may be needed in the future may also change. However, there are some general skills and specialists who we believe may be in demand in the public cloud industry in the future.

Skills needed in the public cloud industry now:

1. Data analytics and machine learning skills to process and analyse large amounts of data.
2. Knowledge of programming languages to develop and support cloud applications and services.

3. Skills in cloud platforms such as AWS, Azure and Google Cloud, Yandex.Cloud to develop, test and deploy the applications and services.

The specialists needed in the public cloud industry right now:

1. Cloud service engineers and architects who can design and manage the cloud infrastructure.
2. Security specialists who can secure the cloud services and data.
3. Data analysts and machine learning specialists who can analyse the data received from the cloud and create machine learning models.
4. Software development professionals who can create cloud applications and services.
5. Project management professionals who can plan and manage the projects related to cloud services and infrastructure.

It is important to increase user awareness and education to develop the cloud industry. Various events such as conferences, meetups and/or webinars can be used to spread information and draw attention to the cloud technologies.

Our company is a co-organizer of the annual DevOpsDays Almaty conference, which provides an opportunity to learn about new trends, tools and solutions in the cloud technologies, provides an opportunity to meet with the experts and can even be a source of inspiration and motivation for further career development and projects in the cloud industry.”

Nurbek Sadykov
qCloudy

“**New industry members from any related industries.** As for RG Brands, the related industries in this case are either our suppliers (for example, sugar producers) or our customers (for example, retail). They will have a great impact because retail is now consolidating a lot, and they are now producing their own brands. The same e-commerce is still mainly engaged in delivery, but dark stores will be developed within the next few years, the e-commerce share will grow, so new industry members from related industries will have a great impact.

Supply chain disruptions will have a great impact. These are a pandemic, and wars, and sanctions. We expect that this will affect both Russia and also other global players, and the supply chains will be disrupted. Therefore, we have already been working on several options.

Labor shortage will have a great impact. As for RG Brands, their industry has not yet had a clear understanding of the formation of human capital in our region. Many international companies worked in Russia, consolidated the market there with their active presence and did not particularly consider the markets of Central Asian countries as key ones for themselves. Now, due to the sanctions, the departure of international companies from Russia, the Central Asian market has become interesting. There are about 65-70 million consumers here. This is one of the few places in the world where three factors are combined: population growth, population rejuvenation and GDP growth in our countries. It has been going on for the last 25 years. There is a regionalization requiring people who can work in these countries, have new competencies, and such will most likely not be sufficient.

Regulatory changes will have a very great impact. We are waiting for the regional integration update. I call it "EAEU 2.0". In fact, this already happened after February 24, 2022, when many developed countries stopped importing many products and technologies to Russia. Now a large flow of parallel imports goes to Russia from Kazakhstan. The main provisions of the current EAEU have in fact already changed, the outlook on the prospects for creating a new regional currency has changed, and a complete reboot is needed. The role and place of Uzbekistan, Kazakhstan and/or Armenia is changing. In this situation, the distribution of labour in the regional market is changing. In this regard, regulation will also dramatically change.

Transition to new energy sources will have a moderate impact, electric cars are worth it. The energy crisis in Europe will have about the same impact on the development of alternative energy as the Covid had on medicine. The scale will appear, the depth of developments and the speed of their implementation will be dramatically changed. For example, in medicine the introduction of pharmaceutical innovations took up to 18 years before Covid. After Covid this period was reduced to 11 months, and this affected the entire business as a whole.

Change in demand and customer preferences will have a significant impact, because if there are no hot geopolitical conflicts, employment in this region will then grow. It will be accompanied by a significant increase in the regional GDP and the development of technologies. Accordingly, the profile of customers and consumers will be changed.

We have already seen many changes over the past five years. Further they will appear even faster, and it will be difficult for us. We must be much more efficient, focusing both on the population and also on the information about our consumer, which is obtained from the accumulated databases.”

Kairat Mazhibayev
Resmi Group

“**New industry members** will have a limited impact because the release of new projects changes the price environment. But we believe that the market will still form a deficit because there is a sharp structural change in consumption worldwide.

Regulatory changes - great impact. This year was marked by the fact that subsoil user taxes were raised by half. Kazakhstan has not adjusted taxes for a long time, and earlier, there was tax immunity from any changes for the worse and in general from changes under the subsoil use contracts. Now, it has been removed. In fact, the subsoil use taxes are changed so much due to the market prices, but it's bad that the rules of the game are changing. There is a project, let's say - a financial model has been calculated, financed, the investors have taken risks, and at this time, cashflow is significantly changing due to the tax. This is an unpredictable environment, risky, and often such moments in the medium term can incur much more losses for the budget than the tax changes. Now the issue of dividends will be changed, but there are already less problems with it. And as for the severance tax, this is one of the main taxes on the cost price, and this is quite significant. And generally, the rules of the regulatory game should not be changed, we should compete for investments with the whole world, with our neighbours. We do not have an increased rate of return in the economy, so we take this very lightly. Regulatory change is a high-level risk because it is unpredictable. Changes have been made, and now we are talking about the new tax code to be developed. It has not been yet clear what mechanisms will be there. Unfortunately, they want to change the rules of the game, and we will see what result will bring because there are many questions.”

Marat Seitkulov
Caravan Resources

“**Regulatory changes** will have a moderate impact. During Kantar, we may say that we were lucky - none of our facilities was damaged, unlike the facilities of our colleagues. But it's not just the physical damage. The whole quarter 1 of 2022 was wasted: in January everything was closed and we had to get into the cash gap, it took time to get out of this situation. The market recovered only by April-May, economic losses were quite high, but the state did not care about that. **Changes in demand and customer preferences** will have a significant impact. Consumer habits are constantly changing. So far, everything is convenient for us. The market as a whole is growing, eating outside the home or food delivery is becoming more and more common. This trend to consume ready-to-eat foods will lead to an increase in our market as a whole. No one wants to cook, people will buy ready-to-eat food, and it will cost less than cooking yourself subject to the time required.”

Askar Baitassov
abr

“Regulatory changes will have an impact. I feel some kind of shortage from the state and a lack of competencies at the level of executives. When “fiscal” people are involved in economic development, they do not understand the word “development” meaning, but they know well how to raise fees. These people have different goals. An agrarian neolithic revolution still has to take place in their minds so that they could move from an appropriating type of relationship with business to a developing one. A temporary decrease in the control intensity is not a support. According to my feelings, the talks about support of the entrepreneurs and protection of their rights does not go beyond public speaking. In practice, an entrepreneur survives mainly due to his own heroism rather than the care and support from the state.

Transition to new energy sources is an ambiguous topic. It is highly politicised because a major energy crisis is growing in the world. Everyone wants to “live like in Europe” but that would mean consuming energy at the same level. It is impossible in today’s realities. Energy generation around the world is not sufficient to ensure such growth. The introduction of various green technologies only worsens this problem, at the same time creating the problem of recycling any old batteries consisting of toxic materials and reducing the efficiency of energy generation. If, for example, an increase in capacity with traditional energy sources leads to a reduced cost per kilowatt per hour, then the situation with green sources is reversed. The higher the power is, the more expensive the electricity is.

Over the next ten years, we have neither the technology nor the plans to solve all these problems. I think that this is the prospect of a more far future, but for now the problem will only grow.”

Konstantin Kulinich
Mary Kay Kazakhstan

“Breakthrough technologies will have a significant impact on our industry. The biggest problem with fitness is people can’t go to sport rather than fitness itself. I expect that artificial intelligence will solve this problem and a virtual coach will be developed. It will select a suitable program, analyse and adjust all factors. But most importantly, it seems to me that it will simply help a person to get to fitness. It will know the user: his/her habits, mood. It will be a kind of psychologist, the best coach in the world, who is with you 24 hours a day. At the right moment, it can say something that will make you go to the sport. This is a problem which is difficult to solve. For example, people who have survived a heart attack need to take medication for six months. The doctor issues prescriptions for them. People follow them for a week, a little worse for the second week and generally ceases. A study demonstrates that just sending a reminder SMS on time improves the prescriptions adherence by 80%.

Regulatory changes may have an impact. Once we were heavily regulated, then this regulation was removed, but this might be changed. For example, there was a law in Kazakhstan: fitness clubs larger than four hundred square metres cannot be opened on the floors 1 of the residential buildings. Moreover, there was no law prohibiting open bars. The laws related to fitness clubs only. That is, there were owners of large clubs who did not want competition and limited the number of available premises in old Kazakhstan. That is, if you want to open a fitness club, build it yourself. This is a very inefficient regulation because almost all suitable premises are in residential buildings. We have adopted a law long ago that if someone builds a residential complex, then the first two floors or the floor 1 should be for the commercial real estate. As far as I know, it was removed, but if it remained, this is another ground for corruption.”

Iliyas Issatayev
Invictus Fitness

“Change in demand and customer preferences may have an impact on the industry as a whole. In the current situation, we as a business are quite stable, as the consumers from open-air markets are still evolutionarily searching for a better experience and are moving to stores of modern network formats. Price and service are always important in choosing your favourite store, and this is exactly what we, as a soft discounter, guarantee. The data has shown that there is no brand dependence and super-loyalty to a certain network in Kazakhstan, so the offline direction will continue to work on the uniqueness of its offers. But I want to note the digital demand: every second of our loyal customers who have made more than 3 successful online purchases stop going to a large hypermarket store. Our forecast is quite ambitious; by 2025, 30% of the grocery retail turnover in all regions of our presence with the delivery service will move to an online system. According to the results of February 2023, this figure is 13%. We now have about 20,000 online orders per a day. Since the beginning of March, an additional shift has been launched, warehouses will operate around the clock in order to get exactly to the slot and unload the peak hours for dark stores. Now the orders can be received in slots from 7 a.m. to 12 midnight.”

Azamat Osmanov
Magnum Cash & Carry

“New members will have a great impact. The Russian IT market has been developed much more strongly, there are more qualified personnel. The biggest concern is that there have been many niche players competent in their narrow specialisation, they come here, get acquainted closely, and it is still difficult for us to compete with them.

Breakthrough technologies, artificial intelligence – big impact, for example, ChatGPT. Now Microsoft and other IT giants are also implementing this technology.

Changes in demand and customer preferences – significant impact. Demands are constantly changing, now we have a high demand for security solutions for individual devices. The companies increasingly need to protect their devices that employees use while working remotely. Cloud solutions are required to be able to work with one team on one document.”

Anna Dyu
Noventiq

“Labour and skills shortage will have a great impact. In my opinion, in our area, the physical labour will be automated to any extent, but as for development, it depends on people as in any technology company. The limited resources in the market, the personnel outflow and/or increased competition for talents may have an impact. Today, all professions relating to intellectual labour are in demand. Last year, we felt that the entry of Russian companies into the Kazakh market began to put pressure on competition, and new specialists appeared on the market. We hired some of them in our company – IT-specialists and managers.

Regulatory changes will have a great impact. The changes can be very different – and the regulation of prices for socially important products, and subsidising big players, to which we do not have an access, and labelling of goods. A regulatory change could also affect labour laws, and I think our industry could be significantly affected.

Change in demand and customer preferences will have a limited impact. Today, for example, we see an increase in consumer demand for locally produced farm products. This trend is typical for the time itself against the backdrop of the supply chain disruption, first due to the pandemic, then due to the war. This trend, in my opinion, will continue for some time.”

Alexey Lee
Arbuz.kz

“New industry members from related industries have a significant impact. If we are talking about the payment industry, one of the main trends is the new players which in principle have not existed before. There are types, formats of companies that previously have had nothing to do with payments, but now they are very actively entering the payment market. The companies from related industries that have never been involved in payments now clearly become full-fledged players. The most obvious example is the taxi services. Completely non-payment service and industry not related to payments is conditionally becoming a huge part of payment technologies due to the linking of payments and transport.

Supply chain disruption directly has a limited impact on us, a little more impact on the work of banks, especially in terms of the supply of components such as chips and semiconductors.

Regulatory changes will also have a significant impact. We are in a highly regulated banking and payments industry. This approach in any state is approximately at the same level.

Changes in customer preferences – a significant impact because 80-90% of the changes now taking place in payments are driven by the consumers’ demand or expectations.”

Cristina Doros

Visa Central Asia and Azerbaijan

“Technology disruptors - I consider Philip Morris International not only as an industry leader, but a technology disruptor that is changing the way the whole industry operates. We have developed an innovative technology of consuming tobacco to replace cigarettes with reduced risk products & are constantly investing behind this purpose, so far over \$10,5 billion in science based innovative products to achieve our ambitious goal of having a smoke-free future.

Regulation can accelerate or hamper this industry transformation. So far, increasingly stringent regulations and prohibitions have had limited impact on the total number of smokers worldwide. As in any other industries, like energy, it is innovation & science that can solve the problem of smoking and this should be encouraged through government policy. In order to provide adult smokers with less harmful alternatives to cigarettes it is important to first have a right & access to truthful, science-based information related to innovative products. With the right regulatory framework, we can make cigarettes disappear in 10-15 years & have a significant positive impact on public health. Governments should enact regulations that acknowledge smoke-free products are better than continued smoking and encourage adults who would otherwise continue to smoke to switch to them.”

Juan Carlos Escobar

Philip Morris Kazakhstan

“New members of my industry from any related industries – moderate impact. Tech companies, start-ups and others expressly entered medicine 5 years ago, but so far nothing has come of it.

Breakthrough technologies - big influence. An interesting point is that artificial intelligence is still built on history, facts and data. While artificial intelligence cannot predict the future, it cannot find new medicines either. It can process the data successfully. The most obvious example is the emergence of a vaccine and treatments for COVID-19. I think this is the result of common efforts and advanced technologies.

Labour shortage - moderate impact. Our employees and representatives are trained internally, so we don’t have such a big staffing problem. The problem arises when we need to fill some specific positions.

There is a problem with the quality assurance staff, but it is a problem everywhere. Several years ago we spoke with the university about the need to open a program in this area because adherence to good manufacturing practices, logistics and all GxP (Good Pharmaceutical Practice) is critical. We strive for it. We have many regulations, but very few people who can effectively build quality compliance systems, and they are in high demand. In this case, they can have a significant impact.

Regulatory changes can have a great impact because it can promote development. For example, price deregulation or increased regulation. Remaining in a very peculiar regulation according to the Eurasian rules, we lose a lot in the speed of registration, in attracting new medicines and innovations to our countries.

The regulation of drug prices in Kazakhstan has a negative impact both on us and on everyone else. It slows down the market entry because prices are only recorded twice a year, and if you miss the registration window, we won’t be able to import or sell any new products within a year. It applies to both prescription and over-the-counter medicines. Even over-the-counter drugs are regulated here. I don’t know any other country where it is. In addition, they try to regulate the prices for medical devices that does not exist in other countries. Therefore, it may have a significant impact on the decision to introduce any new medicines or medical devices in our region.

Customer preferences will be changed more in how they shop. As for our quick moving into the metaverse I do not have a definitive answer. Something interesting is happening there, and this area has already begun to be advertised. You can buy products in a virtual pharmacy and get them in the physical world - this also exists. We are considering this option, but so far we are not participating in it. I think that this will begin to appear in the next 10 years. Will it have a significant impact on us? I'm not sure. Perhaps moderately, because we are a relatively conservative industry with a lot of regulation.”

Arminas Macevicius

STADA

“Breakthrough technologies will have a moderate impact as our business is more conservative. I am quite sceptical about the phrase "artificial intelligence" because in fact it is still a beautiful definition for computer-generated calculations. In fact, artificial intelligence is very conscious, and now it is often called simply an improved formula for computing technologies that existed before. It’s probably gone further than we have expected, but it’s impossible to rely on these technologies right now. When a machine begins to “create” and make decisions for a person, then the impact will be significant, and now elementary process automation will have a greater impact on our industry.

Labour and skills shortage will have a great impact on the industry. Our industry is not the most widespread, and if we hire someone, as a rule, they are the employees from related industries or competitive companies. One of our rules is not to hire people from the competitive enterprises, if we are the leaders in the segment. If we rank second or third in a certain segment, we can then readily attract the resources from related or competitive companies. Unfortunately, it is quite rare to find really qualified specialised employees, for example, technologists or production workers who would immediately join and make a significant contribution.

As a rule, this takes a long period, about a year of training and retraining. It’s a pity when an employee who is a lot invested, leaves. Now we are starting our cooperation with specialised higher institutions and we want to attract students to practise more actively. We have an experience when interns hold quite serious positions over time.”

Bernard Vavrzhin

Mareven Food Tyan-Shan

“Breakthrough technologies - big influence. I look from the point of view of all the industries where we are working; they are mining, telecom, real estate and to some extent aviation, and not from the point of view of the management company. In terms of telecom and technology, even though we have not yet had a licence to use 5G, there are still a lot of untapped opportunities in LTE. Even LTE can be speeded to one gigabit with new hardware, and this speed will allow completely different products to be used.

Artificial intelligence is inseparable from big data which we are now actively working both in telecom and in banking. Blockchain is a good technology to create secure public registries. Smart contracts are a fairly effective solution to be used in banking, telecom and insurance business. Even in the mining business we have built a new hydrometallurgical complex where the next step will be the implementation of a digital twin. The plant is fully digitised for virtual reality, and this is a very good technological solution for practical applications in engineering.

Shortage of the qualified personnel will have a moderate to high impact. Of course, it depends on the industry, but in general this is a huge problem. This is affected by both education and, for example, the household debt load. The law on bankruptcy of the population is needed, first of all, in order to return the actively working population to a normal economic life, now they are not allowed to do this. Employees do not want to sign a formal employment contract, they strive to receive a salary every day and in cash. As for the educational part of this issue, the graduates leave universities not only unqualified, but completely without any knowledge.”

Erlan Ospanov
Verny Capital

“Breakthrough technologies will have a limited impact on our industry. For the second year we have been developing an artificial intelligence-based predictive analytics system based on past tenant data predicting the future development. Now artificial intelligence continues to train itself, and currently its accuracy is 82%, the human accuracy is 64%. At this stage, the artificial intelligence cannot think like a person, for example, it will not be able to recognize and evaluate the quality of the presented collection in the store due to lack of data. This year, the reason for the lack of the forecast's accuracy was the break in supply chains. Many companies were without goods and were looking for alternative ways to deliver both by land and air. Therefore, we are forced to train the artificial intelligence additionally. This will take the time, but over the next 10 years it will be fully able to predict the data we need.

Changes in consumer behaviour will have a big impact. Now we see a completely new generation. They are very sensitive to their worldview, self-centred and even selfish. They are very selective in their choice of brands. For example, if they find out from a certain publisher that a company has conducted the tests on animals, then they simply cross it off the list of existing ones for themselves. For comparison, if past generations counted money, survived, tried to work, then the current generation is self-regarding. Increased consumption of children's goods in Kazakhstan is one of the current noticeable changes. Of course, we have predicted this due to the peak of the birth rate at a certain period of time, but the increase in demand is a multiple higher of the birth rate. People began to spend more money on children. This is probably due to the fact that children require a more "centric" attitude towards themselves.

In addition to the change in consumer behaviour, today we observe and record changes in women's shopping behaviour, this is not discrimination, but segmentation.

If earlier the women tried on a thing and could wait for it at discounts, now they intentionally go to the store for a certain product and buy it immediately - earlier men have done it. We began to observe these changes in 2022.”

Alexei Khagai
TSPM.

“In ten-year cycles, a business always has an average rate of return, nothing will happen in any business, because the average rate of return is always plus or minus the same in all businesses. The ten-year cycle is too long for these factors to have any effect.”

Serik Tolukpayev
Aitas-Group

“The widespread introduction of digital tools is already yielding significant returns, and this is perhaps the main linking element of all initiatives. Moreover, the state and enterprises are also increasingly realising that the ubiquitous introduction of digitalization increases the transparency and efficiency of the economy.”

Lev Appakov
Schneider Electric

“New industry members from related industries have a limited impact. We always have a standard influx of new people, and it will not be increased, but most likely will be decreased. The cost of opening a restaurant has been greatly increased, respectively, the payback period, too, and the business is not so attractive as before. Previously, a restaurant could be paid back in three months, now it is almost impossible.

Breakthrough technologies, for example, artificial intelligence, have already affected the profitability of the industry. Checkouts without cashiers, robotic assistants in some restaurants are already there, and they will have a great impact in the future.

Labour shortage in the industry, we have already felt and I believe that it will be worse in the future. People do not want to go into our area, it has become uninteresting - there is hard work here, for which they can find an alternative.

Regulatory changes - moderate impact. Excise taxes on alcohol and tobacco products will be raised. There is already a trend to reduce alcohol consumption - people switch to non-alcoholic and low-alcohol drinks. Five years ago it was impossible to find non-alcoholic wine in restaurants. Now it is offered in every second restaurant in the centre of Almaty. It's not just that, it means that there is a demand. This trend is observed all over the world, and in London, for example, you will be offered with a very rich selection of non-alcoholic drinks that are not inferior to traditional analogues in their taste characteristics - non-alcoholic bitters, gin, whiskey. According to the statistics, today one in five Britons orders non-alcoholic beer in a pub - this has never happened before.

The demand and customer preferences in the restaurant business always change and have a moderate impact on the profitability of the industry. I can safely say that there will be a fashion for a healthy diet in the future. It has already existed, but so far it is unprofitable due to the small scale of the market. But the share of healthy diet will grow, and sooner or later this segment will be profitable..

Yuriy Negodyuk
Restaurant chains: “BAO noodle&sushi”, “Pinta”, “Tomato”, “The Banka”, “Paul”

“New members from our industry and related industries will have a significant impact. Three large operators are opening in Almaty. The city authorities charge the construction companies to build the schools, kindergartens, and health centres in new large residential complexes.

Labour shortage will greatly affect our business over the next 10 years. Now we have an influx of specialists - young people leaving Russia due to the mobilisation, but this influx is unstable, they may not stay.

I have hired a few employees. I feel sorry for these young people and would like to help them, even if they do not stay here for a long time.”

Valikhan Ten

World Class Almaty

“Undoubtedly **breakthrough technologies** (artificial intelligence, blockchain, crypto-currencies) will have a great impact on business development, we are closely monitoring the technologies and looking at how we can implement them on our platform.”

Bolatbek Ospanov

Smart Satu

“**Breakthrough technologies** with their active implementation will have a rather great impact on all sectors of the economy, including our business sector: the efficiency and productivity of business and organisations will be increased, the transparency and efficiency of processes, the “deserted” industrial production may appear. The transition to new energy sources will also be actively implemented in parallel due to the increased prices for traditional energy sources.”

Erik Shortanbayev

Skymax Technologies

“**Supply chain disruptions** have a great impact, the delivery definitely becomes more expensive. For example, delivery by trucks used to cost us 6,000 Euros, due to the conflict between Russia and Ukraine it has risen in price to 19,000-20,000 Euros. This has increased the cost of production, but due to the price regulation we were unable to increase prices, so we had to shrink in terms of our earnings.

Shortage of skilled labour. The problem is that there are requirements in pharmaceuticals for representatives of certain professions. Warehouse workers, for example, must have a pharmaceutical education, any specific certificates. We experience a shortage of labour, and this has a limited impact on the industry, although employees can always be found, it's only a matter of price. Most likely, it will be possible to talk about a moderate impact over the next 10 years, because people will leave Kazakhstan.

Regulatory changes will have a moderate impact over the next 10 years. Regulation changes every year. We were promised that the over-the-counter business would no longer be regulated by price, but it has been still regulated. I think that this practice should still be cancelled in the near future, because the state does not regulate the prices for non-prescription medicine anywhere in the world.

Transition to new energy sources - it's hard for me to answer, most likely, the impact will be ambiguous, because the issue has not been studied to the end. For example, the transition to solar panels is environmentally friendly in itself, but no one evaluates the carbon footprint from the disposal of these panels. When they reach their end of life, how much electricity may be required to produce these panels. No one fully understands the cost of transition to new energy sources.

Change in demand and customer preferences will have a limited impact. We see trends and understand where the industry is going. There is a trend towards health promotion and/or prevention.

The demand for dietary supplements, vitamins and/or nutritional supplements is growing, and their consumption will be increased, as well as the consumption of medicines that can stop the development of chronic diseases or prevent the development of more serious diseases. It has led in the industry to the merger of some of the big companies targeting the over-the-counter business.”

Kuanysh Ospanov

Sanofi Kazakhstan

“**Regulatory changes** will have a significant impact on the financial industry. The financial sector is always regulated very conservatively, and we feel the impact. I don't expect anything to change over the next 10 years. Finances will always be regulated, and the more social problems are in the society, the more the authorities will tighten restrictions, we see this fact in our markets.

Until 2022 the **shortage of qualified technical personnel** was always a big problem for us. Now this problem still remains but not so large-scale, because global companies are reducing technical staff, and the migration of personnel from Ukraine and Russia also helps us to recruit people. The requests of current employees and new candidates, job seekers have become more reasonable and the rate of the labour market overheating has decreased, it has stopped growing as fast as before. Every year, requests for developers grew strongly, and we had to increase our costs in order to match the market. The more technologies are used in the financial sector, and this is already an irreversible process, the more complicated they become and the more people who are able to solve new problems are needed. Accordingly, the requirements for candidates and competition are growing. Therefore, over the next 10 years, the presence of a cool technology team in all areas (development, design, data science) will always have an impact. This is a key success factor.”

Alexey Sidorov

Silkway Group

“If we talk about retail, there are a huge number of e-commerce channels now and they will have a greater impact on businesses. I do not think that they will become the same as retail trade within 10 years, although it is quite possible that this will happen in some countries.

A great use of **artificial intelligence** for the so-called image recognition (when a sales representative comes to an outlet, takes a picture of a storefront on his phone, and artificial intelligence says what is missing there or reports about the incorrect location of the goods, gives its recommendations so that the storefront meets certain criteria) will also have an impact. It has already been widely used in our company. The system has been trained for a long time to achieve such results. We have become one of the first companies in Kazakhstan starting to use such a program.

I don't expect customer demand and **preferences** will be changed very much, rather moderately. For example, there is a trend now towards healthy eating, losing weight, a healthy lifestyle, and therefore the customers prefer a less sweet product than it is. We try to follow this approach - we divide portions into small calorie content. I think this change in preferences will have an impact on our industry.”

Mikhail Bazanov

Mars Kazakhstan

"We are a rather large production, and **new members in our industry** may have only a limited impact. A lot of time and matured experience are needed to build up the processes, achieve the desired quality and put together a team.

Labor shortage will have a strong impact. Now we are experiencing some tangible difficulties in this matter and we plan to invest in staff development. We see a lack of basic skills in people in the construction area."

Nursultan Zhumabek
hoffmann aluminium

"As we work in the IT industry, breakthrough **technologies** are extremely important to us. Technologies are constantly changing and improving. Our position is as follows: either you meet all the changes and adapt your business to new realities, or you leave the market. We always look for the best and modern solutions that would be relevant for job seekers and employers in Central Asia.

Our users' preferences - the main criterion on which we rely in our work. We are constantly improving our service, including using the feedback from our users."

Oksana Brichevskaya
HeadHunter

"**New industry members** have a great impact. If one of the major players enters the market, it will enter resoundingly, because there are already four major players here. A new company will know what need to be done, will invest heavily, and this will affect the market situation. As for **related industries**, then with the entry of such players as InDriver or Yandex.Go into our segment, the culture of couriers' driving is growing, and the competition is also growing, respectively. The same also concerns the services. Marketplaces and services that allow a person to earn on their professional skills and abilities are actively growing. Glovo sees advantages that new players will come to Kazakhstan, and together we will develop the economy of digital platforms. **Breakthrough technologies** - big influence. The systems themselves, the development of AI (artificial intelligence). We have a system that distributes the orders, and it does it quite well. By analysing the composition of your basket, the time it takes to prepare the products in the order, it will send a courier who can deliver food to the client as hot as possible, that is, it analyses the composition of the basket and the route of the courier so that there is no downtime. The more orders this system processes, the smarter it gets, and we enjoy the benefits of efficiency. Every second is important for us as a business.

Supply chain disruption - a great impact because it affects our partners.

Shortage of specialists - a great impact. We are experiencing a shortage of staff for the company. There are not many people experienced in our industry so we continue to invest in the training and development of professionals for the foodtech and e-commerce sector in general.

Regulatory changes - great impact in terms of determining the courier status. There is no clear understanding how it should be, and there is no global practice that suits both business and people engaged for platforms. Our couriers mainly work as individual entrepreneurs. For example, all activities in the Uzbek market related to the courier services are licensed, and this is not very good for the platforms. We have not yet worked in Uzbekistan, but we consider this market because it is interesting for us.

Transition to new energy sources - we would like that over the next 5 years at least 70% of the couriers' fleet of vehicles would include electric scooters, electric bikes or electric mopeds. Currently, this figure in Kazakhstan is 40%.

Change in demand and customer preferences - a great impact. In 2022, we saw how the customer's shopping cart was changed. In 2021, we had about the same supply as in 2022 regarding food, but this category grew by 2.5 times over the past year. People order both dishes from the restaurants and also groceries and non-grocery goods. Analytics from the Glovo app in Kazakhstan show that delivery from supermarkets in 2022 was increased by 277% compared to 2021. We are working to ensure that there is always a good assortment. The average check by the end of 2022 was increased by 22% compared to the beginning of the year."

Karim Boguspayev
Glovo Kazakhstan

"Almost all of our products somehow are related to IT: these are mobile applications or software through which you may control your pool, fountain, and so on. We started to develop this area a few years ago as part of a new strategy to promote our products on the world market. Therefore, of course, **technologies** affect our business, and we can say that this impact will be quite large in the future.

There is still a **shortage of manpower**. I do not see that the educational cluster produces the specialists of the required level in our area. If there is no educational base at the moment, then we will experience a shortage of personnel at least over the next five years. This is a rather complicated problem for us, and if we do not start doing something right now, then we will not have any changes in the foreseeable future. The staff is one of the main problems. In our case, there should be a person with technical knowledge and certain commercial skills. There are either one or the other, and it is not so easy to balance them or find a person who is ready to develop something in the area we need. It is an issue of human character rather than training - people have changed, neither want to learn, nor take any responsibility. Perhaps this is a generational problem, I think for them this is considered to be normal. It is difficult to find someone who truly cares, can and is ready to make decisions."

Mikhail Borisov
Fluidra Kazakhstan

"**New members in my industry from any related industries** - a great impact. Industries often develop "in depth", especially young ones, such as e-commerce. There will be the businesses that we simply have not had, and this will expand the market itself. For example, there will be a large segmentation in delivery - ultra-local delivery, delivery within the city, delivery by region, and so on. There will be a great growth in all e-commerce areas. The companies will come with investments. There will be new players, those who previously have made money on the classic, non-digital business. They'll want to be part of it when they see the big money. Therefore, I believe that new participants will develop the industry. As for other countries, the number of deliveries per a user in China is 10 times more than ours. The markets themselves will grow. In terms of delivery in Kazakhstan, we are the leaders in 10 regions out of 13, except for large cities - Almaty, Astana, Shymkent.

Supply chain disruption - a moderate impact. People like trade, so even despite macroeconomic crises, people always find scenarios to build a new supply chain.

Labour shortage - a moderate impact. I think it works just like the market. If the market needs chairs, someone making these chairs will definitely be found out. Similarly for the staff. Fifty years ago, everybody assumed that production automation would lead to huge unemployment, but so many new professions have appeared. Now we have mobilographers, viners - a lot of new developing professions. In the long term, with the development of labour productivity, when we replace certain professions with some technical solutions, the people developing algorithms for these solutions will surely appear.

I've read about a profession where people develop ethics for artificial intelligence - what it can talk about, write about, how to behave with people, and so on. A huge number of new professions will certainly appear. The education structure will be changed. If now it is classic when everyone needs to go to university, then in the future it will be possible to listen to a lecture by a Harvard top teacher from anywhere in the world, the education availability will be higher. The market will decide everything, I think there will be no labour shortage. It is available now, but people always try to find a better specialist. Do people find developers for them? Of course, they find - according to the budget and/or the brightness of their company. I think there is a level of tension, a shortage of personnel, but it will not grow, and it will be approximately at the same level. Of course, this is a hypothesis, no one knows the future, and we only reflect and assume based on experience and trends.

Demand/customer preferences will certainly change. The environment is changing, and if we continue to remain the same, then there will be a significant impact. And if we change along with preferences, then, probably, the business will not be strongly affected. Most IT companies work closely together with the clients and see what they are doing, follow statistics and study behaviour. Since we are almost completely digitised, we understand every action of the client, which website he/she goes to, how often he/she switches, what multi-channel sequence, how many times he/she came from an ad, how many times he/she left and at what moment he bought. This is a part of the business process."

Nikolay Mazencev
Chocofamily Holding

"New members from any related industries – a moderate impact. Giant companies with unlimited resources - Amazon, Google, Apple - tried to work in medicine but eventually shut down their projects. They are used to enter any traditional areas, make a breakthrough in them, monopolise and earn a lot of money. They failed with medicine, but it cannot be ruled out that there will be new attempts, and they will be more successful, and then they will make a breakthrough in medicine."

Doszhan Zhussupov
Cerebra

"The fitness and health industry will grow rapidly and **new players** in the market will significantly affect the affairs. It is hard to imagine anything else.

New technologies will also change how users will consume fitness services - we are already working on an ML bot creation that will generate highly personalised recommendations based on the data from wearable devices and body composition analysers. In 10 years we will most likely have AI that will replace trainers, general practitioners, nutritionists, etc. Data from wearable devices will complement biomarkers and other data.

Labour shortage primarily depends on the need for specialists in related areas - for example, there are very few doctors using the data from wearable devices in their practice. The correct interpretation of Heart Rate Variability can help with the diagnosis of various conditions, from banal stress management to the user's adrenal insufficiency.

As for preferences, 10 years is a very long period, the client's preferences will be changed radically during this time, and it is very difficult to predict this."

Murat Alikhanov
1Fit

"The events of recent years have shown how business digitalization is important today. For example, due to the pandemic China closed its borders which have not yet been fully opened. This led to the need for touchless reloading when the prevailing percentage of cargo traffic moved from the universal fleet of covered and open-top wagons to the containers.

Accordingly, there is a demand for digitalization in such conditions. And our company has done a great job of introducing advanced technologies. It implemented the Robotic Process Automation technology - robotic automation of business processes from Python RPA Ltd., the Kazakh developer of software robots. RPA is a new approach to work in logistics companies, when software "virtual employees" are created that exactly repeat the actions of the employees at the computer. This allows repetitive tasks to be automated and executed very quickly and precisely. In total, we have launched three such robots. Everyone has its own task. One of them helps us with accounting, connects to the portal where all the company's invoices are posted, and the machine picks it all up and puts it into the system. The second robot calculates the financials for the entire empty return. Another one is creating an electronic archive of bills of lading. That is, what our specialists did yesterday, today our equipment has already been doing.

Another of our main achievements is the server version of the Rail-tariff. We have created our own interface, implemented it in our accounting program, that has greatly facilitated the management of wagons for us, and also developed our own interface for the deployment of all rolling stock, which is loaded every four hours, regardless of people's participation. This allows us to regularly receive all the information concerning our wagons (out of order, in working condition) and, accordingly, quickly respond. We are some of the few in Kazakhstan, who have managed to do this. And we are not going to stop there, trying to bring even more breakthrough technologies into our work which will improve the quality of the services to be provided.

Today we observe the **shortage of skilled labour** – there is indeed a shortage of logistics specialists on the market. Our company did not wait for external solutions to this problem, but closed this need by company-based training for applicants and providing fully immersion in all processes. Thus, we independently train up the industry specialists because we understand that the qualified personnel is the main asset of the company.

As for the impact of **change in demand/customer preferences**, the most illustrative example was described above. Due to the geopolitical situation, many customers absolutely refused to let their cargo pass through Russia. Based on the demand of our customers, we have reoriented the routes and continue to look for new directions."

Marat Zhuman
Atasu Group

Cooperation with the Government

Theme

Priority tasks for the state and how efficiently they can be achieved Cooperation of businesses with the government in Kazakhstan

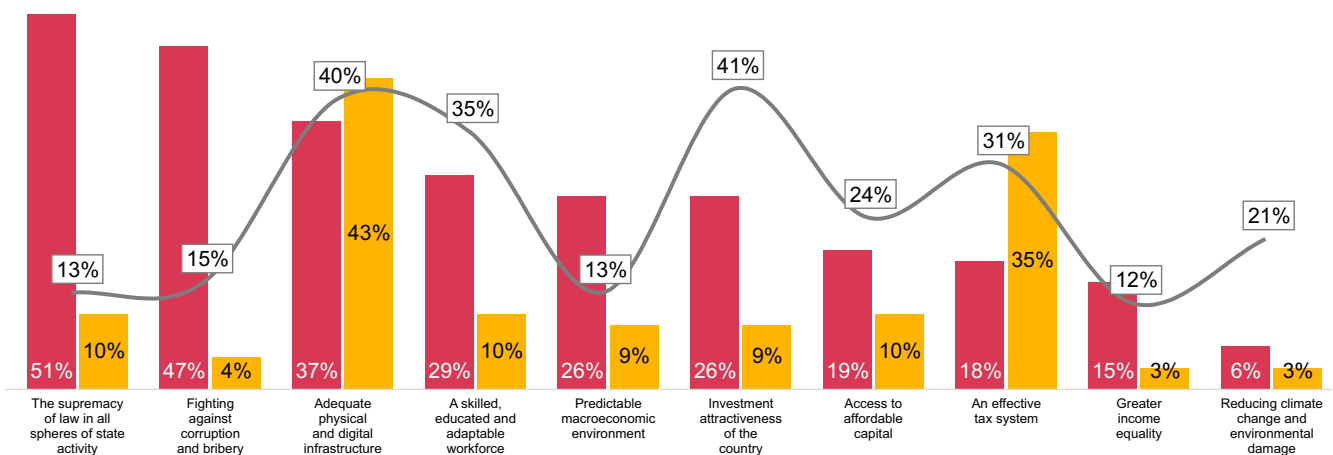
The rule of law in all areas of the state activity remains the top priority of the national administration in the opinion of business. Like last year, this priority was noted by 51% of respondents. The effectiveness of achieving this goal is slowly growing and amounts to 10% (compared to 7% last year) according to the poll participants. The rule of law for business is a key "bottleneck" to improve the systemic approach in Kazakhstan because it is impossible to settle the corruption issue without it. According to the respondents, the investors do not feel secure, as the one with more ties or money may be right. Among the main priority goals of the state development are **fight against corruption** (47%), **infrastructure development, including digital** (37%), **qualified and adaptable staff** (29%), **predictable macroeconomic environment** (26%) and **investment attractiveness of the country** (26%).

It is also worth noting that access to **cheap capital** rose from 10th in 2022 (10%) to 7th position in 2023 (19%) due to the current high rates, and this was reflected in the results of the poll.

Only 6% of CEOs noted that the state should pay due attention to **reduced risks of climate change**.

Kazakh leaders of private businesses both have identified priority goals and assessed the effectiveness of public administration and also have interest in cooperation with the state. The businessmen, to a greater extent, are ready to cooperate with the state to improve the **investment attractiveness of the country** (41%) and **infrastructure development** (40%).

- Prioritisation of outcomes
- Efficiency of the government in the achieving these outcomes
- Business interest in cooperation with government



"The priority goals for the development of the state include the qualified personnel, the rule of law, including the fight against corruption and greater equality in incomes of the population."

Mikhail Lomtadze
Kaspi.kz

"I would like to add one item that is not in the above goals and mark it as the main one. I think our President is trying to build a new government using the same people. But it is impossible, because, as we know, culture eats strategy for breakfast, and as long as the culture is the same, no matter how much we change the strategy, nothing will work."

Now a number of ministers have a former expert, a senior expert, a chief expert of any ministry who have neither worked in the private sector, nor paid taxes and do not know what business and real life are. The first thing to be done is to reform the very composition of the entire government, the personnel reserve. Qualified and adaptable personnel should be in the government itself. It should provide the developed infrastructure including digital, so that there is super-fast gigabit Internet in every home. Some things are only used if they work fast. If they "slow down" or work poorly, they are not used."

Iliyas Issatayev
Invictus Fitness

“The first thing is greater equality in the incomes of the population. It is important for us, people should have funds. Next, a developed infrastructure, both digital and also physical - roads, improved air traffic quality. Still, our airports are small, and the number of flights is low. It should be developed. In turn, these actions will immediately affect priority 3 - the investment attractiveness of the country.”

Arminas Macevicius
STADA

“Fight against corruption and bribery, investment attractiveness of the country, qualified and adaptable personnel.”

Valikhan Ten
World Class Almaty

“The fight against corruption, the rule of law in all areas of state activity, effective tax system, free competition.”

Bolatbek Ospanov
Smart Satu

“The fight against corruption and bribery, the rule of law in all areas of state activity, developed infrastructure including digital.”

Kuanysh Ospanov
Sanofi Kazakhstan

“In my opinion, the main goals of state development are greater equality of incomes of the population, the rule of law and a balanced foreign policy. A balanced foreign policy is very effective. In this regard, it is indicative for me that when the conflict between Russia and Ukraine began, many people went to Kazakhstan. We are interested in the increased investment attractiveness of the country, and we are working in this direction. For example, when representatives of the international financial institutions come, they are usually shown our company as one of the Kazakh business cases.”

Kairat Mazhibayev
Resmi Group

“This year the government should work on macroeconomic stability. Reduce the impact of risks in Russia on the economy of Kazakhstan, control the absence of the secondary sanctions. Investment attractiveness - to deal with economic reforms, all elections will be held in the first half of this year. Reforms are always difficult, but they must be done. On the other hand, the state should reduce its role in the economy, the state cannot and should not do everything. It is necessary to continue reforms in the law enforcement and judicial system. The establishment of a constitutional court is very pleasing, because not all adopted laws are ideal. Capital availability - in the past few years, the ratio of lending to the economy to GDP has been around 20%, while it is more than 70-80% on average in developing countries. We are one of the most underinvested economies in the world, fund raising by companies from stock exchanges is minimal, the President has spoken about this situation several times. This issue should be resolved.”

Almas Kudaibergen
Centrasia Group

“Qualified and adaptable staff - I can not say for sure. The programs for advanced training and staff training have begun to be initiated only recently. For example, this is the TechOrda program for the IT industry, initiated by the Ministry of Digital Development. We have not yet seen its results because too little time has passed, but this is a very necessary initiative. If every ministry issued such high-quality initiatives, it would greatly help companies and increase the number of qualified personnel.

Access to cheap capital - inefficient. This applies to our company to a lesser extent, but the IT market development sometimes suffers due to a lack of cheap capital. There are large projects which the state is interested in, and often it takes a long time to find an investment partner. For this reason, the local companies cannot act as the investors. Accordingly, any foreign investors come and then collect profits and take away their technologies. If this item is implemented and most companies in the market have access to a cheap capital, it is possible that the projects will be implemented by the local companies.”

Anna Dyu
noventiq

“It is important for Kazakhstan to attract more Science, Tech & Consumer-Oriented Businesses to invest here in Kazakhstan beyond the traditional investments in natural resources. A critical component is to maintain a predictable & attractive tax environment and progressive regulation that encourages innovation across industries. A clear example where this approach is needed is in the energy transition but also in my own industry. Sustainable long-term growth needs to be supported with investments in science, education, R&D & technology, and this can be achieved by focusing on the strong collaboration of the government & public sector with the private sector and academic institutions. The reality is that the domestic market in Kazakhstan is relatively limited, given the population size, so the government needs to place a lot of focus on ensuring an attractive investment climate for other types of investment that are not just natural resources.”

Juan Carlos Escobar
Philip Morris Kazakhstan

“The rule of law in all state activities, the fight against corruption and a predictable macroeconomic environment should be the priorities of the public administration. There are positive changes after the January events. A number of political reforms have already been implemented. It has been impossible to establish a new government within 5 days, I say this primarily as a manager. Now all decisions are made consistently, accurately and systematically. Any sudden movements can only do harm.”

Erlan Ospanov
Verny Capital

“The first is the qualified and adaptable staff. If they are available in the country, then such people can develop all industries. The second is the attractiveness of investment. It indicates the system's transparency and the good operation of legal institutions. The third is a developed infrastructure, in particular, logistics.”

Maxim Melnik
Satu.kz

“The rule of law, the fight against corruption and a predictable macroeconomic environment are the main challenges. I do not see any great changes, neither in the tone of communication with the companies, nor with the citizens. We are “driving out” ourselves, fortunately, there is a certain stability in terms of the tax laws. There is predictability, and we set our course in this flow. As for the ability to find the partners, everything only became more difficult, because when all the logistical, sanctions factors began to affect Kazakhstan, some of the partners disappeared, some of the transport chains collapsed. I didn't see the real impact of helping our manufacturers to build what they've lost, and this hits everyone at cost - downtime, product shortage, extra costs to solve some new problems. First of all it falls on an entrepreneur, then on the consumer, and the state limits itself to the role of a tax collector.

Tax policy is efficient because it is relatively stable, the cost of doing business can be determined, and it is acceptable. I do not comment on the question of whether the load is high or low. None of the entrepreneurs will say that he/she pays few taxes, but this load today allows them to work and build an effective business model. I know from colleagues from other countries that there are examples when it's not the amount of taxes but compliance of all tax rules is so hard that it is simply not clear how to survive. Everything is good in this sense in Kazakhstan. Although our officials also constantly attempt to transfer all entrepreneurs to the generally established regime, they create a barrier for entrepreneurs in the form of accounting difficulties and the risk of errors rather than the tax itself.”

Konstantin Kulinich
Mary Kay Kazakhstan

“In my opinion, the developed infrastructure should rank the first, the rule of law should rank the second, and qualified personnel should rank the third. We, in turn, are ready to cooperate with the state on the effective tax system, developed infrastructure, the investment attractiveness of the country and the rule of law.”

Olzhas Junussov
Kazphosphate

“Developed infrastructure, especially digital ones, is very efficient. In comparison with many developed countries, Kazakhstan has a more efficient and better established Egov system, electronic digital signature, gateways and access speed. Online purchasing an apartment or a car demonstrates the high level of digitalization and Govtech in the country.”

Kiril Bachvarov
Home Credit Bank

“Greater equality of incomes of the population, predictable macroeconomic environment, fight against corruption and bribery.”

Karim Boguspayev
Glovo Kazakhstan

“The main goals are access to cheap capital, the rule of law and the fight against corruption. Now, even with our capabilities, we are faced with the fact that it is hard to deal with the banks. We can't just come and get loans. We also work on programs with DAMU - in principle, everything is good, we are supported, but if there is no such access to money, then it will be difficult for small and medium businesses.

Getting a loan is not always easy and often very difficult. A bank is needed to us just as a financial instrument and a partner that will allow us to develop further. We would like to talk to the bank as a partner, but, unfortunately, this is not the case yet”

Mikhail Borisov
Fluidra Kazakhstan

“The rule of law, access to cheap capital and qualified personnel - these goals should be the priorities of public administration in our country.

In terms of cooperation with government authorities, we are ready to assist in the development of qualified personnel, the health and well-being of employees and in the development of greater equality of incomes of the population.”

Ilya Martinenko
Avrora Holding

“The health and well-being of employees – efficient. Having compared the work of the healthcare system in Kazakhstan and the USA, I can say that it operates well in Kazakhstan. First of all, in the USA you always need insurance, and large sums are spent on insurance. At the same time, when a person gets to the hospital even with insurance, it is very expensive and very inefficient. The whole system is designed to make a person give a lot of money. Against this background, Kazakhstan holds with dignity.

Access to cheap capital - very inefficient. Historically, in my opinion, access to the traditional capital is unevenly distributed in Kazakhstan. As for venture capital, despite the attempts that have been made in recent years - and it is good that they are being made - in my subjective opinion, so far they have not led to the proper result. With the state-controlled funds, Kazakhstan made several attempts to allocate financing for the venture capital, but I believe such approaches should be changed.”

Alexey Lee
Arbuz.kz

“Of course, we do not consider the Kazakhstan infrastructure to be effective, it still has a bit of growing up to improve. But we see that the government attaches great importance to the development of infrastructure. And in recent years, they have implemented many projects to modernise roads, railways, airports, hydraulic structures and other facilities. As a result of this work, there were conditions created for more efficient transport links both within the country and with other countries.

Generally, it can be said that the government of Kazakhstan works towards achieving its infrastructure development goals, but the level of infrastructure development still needs to be further improved and upgraded.

As for the digital infrastructure, the Kazakhstan Government thinks the digital infrastructure to be one of the country's development priorities. It performs a lot of activities to create and develop digital infrastructure, such as construction of new data processing centres, expansion of access to broadband Internet, development of the electronic services, and much more.

The "Digital Kazakhstan" governmental program creates a favourable ecosystem for the digital economy, improves the quality of life for citizens and increases the efficiency of the state authorities. We especially note an important part of the Digital Kazakhstan program - this is the e-government development and the improvement of electronic services for citizens and businesses.

In general, it can be said that the government of Kazakhstan thinks that the development of digital infrastructure is a strategic priority and is working to achieve goals in this area.”

Nurbek Sadykov
qCloudy

“Probably, we are moving towards a more efficient tax system. Currently, it requires improving the efforts with small and medium-sized businesses. It may encourage a more active transition of SMEs from using cash to digital payments.

The investment attractiveness of the country is effective. Kazakhstan has a certain investment attractiveness, despite the fact that the macroeconomic environment is not yet very stable and predictable. In my opinion, given the location of the country and its potential, Kazakhstan has an attractive investment attractiveness, and the government deals with it. There is a rather effective governmental policy regarding the personal data use precautions. There are necessary laws to protect the personal data use, laws that have not yet harmonised with the best cases (global, European) but appear to be on course to do so. Therefore, they are effective here.”

Cristina Doros

Visa Central Asia and Azerbaijan

“As for the investment attractiveness of the country - I can not say for sure. Quite a lot of things are being done, there are benefits, but not everyone knows and uses them. The current dynamics of the government and the agenda are encouraging. The results will provide a more accurate assessment. As an example, I see many interesting initiatives - now they have created the Central Asia International Center for Trade and Economic Cooperation on the border with Uzbekistan, and I've suggested to contact such giants as IKEA and organize a regional hub for the EAEU and Uzbekistan in this neutral zone. It will be easier for big players to make investment decisions in such a design, because the market with access to these countries is already much larger. It would be a very effective solution not only to improve the investment attractiveness of the country, but also to raise the standards to the world level in our region.”

Azamat Osmanov

Magnum Cash & Carry

“Reduced risks of climate change and environmental damage - inefficient. Comprehensive measures are required in this matter. It is enough to look out the window in Almaty, and the answer comes immediately.

Greater income equality - efficient. Recent efforts, such as increased wages and pensions, are very positive.

The health and well-being of employees – efficient. I do not know to what extent it is the Government's responsibility. This is done by the companies, whether they are public or private. I believe that this goal is quite effectively met, because it is important to have additional insurance and to check-up the health every year.

Predictable macroeconomic environment - everything is quite clear and predictable, one might say, efficiently. We depend on oil and the ruble very much. We'll observe what happens next.

Access to cheap capital - none. As soon as Russian banks left the market, we had a very big problem with financing small and medium-sized businesses for half a year, because the credit resource was reduced.”

Arminas Macevicius

STADA

“Predictable macroeconomic environment - I'm not sure, we can't blame our government for everything. Kazakhstan is not among the top countries that could work on the macroeconomic environment. We are now hostages of those political decisions that were taken by the previous leadership of the country. We had a very strong connection to China, to Russia which seemed to be a stable partner.

But the current situation demonstrates the effects of the decisions that were previously made. Linking to the Russian economy is now getting into trouble for Kazakhstan.”

Kuanysh Ospanov

Sanofi Kazakhstan

“The qualified personnel are being created effectively. New educational institutions are being established, for example, the Nazarbayev University and Nazarbayev schools.

Infrastructure is also effective because a network of roads across the country is being constructed. If the state does something on an ongoing basis, then mainly it is.

If there is a high level of employment, then it has not arisen as a result of the work of the state. The employment level is high, but I cannot say for sure what the role of the state is.

The health and well-being of employees – efficient. A lot of our people criticise the state health care system, but in vain, it is enough to even compare with the United States. For example, chemotherapy in our country is done free of charge.

Access to cheap capital - inefficient. In general, there is no access even to an expensive capital. It is impossible to get a loan in a bank if there is no collateral, for example, a huge building. We don't have a collateral, everything is rented.

That is, we, Invictus Fitness, cannot take a loan in a bank, even if Damu says that it gives a 50% guarantee, even if they subsidise half of the interest, the bank asks for 9 times more collateral for the remaining 50%. And it regards not only one bank. We wished to take 2 million dollars, and we were asked to mortgage the company and to put a certain amount on deposit. The only way to raise money is to invest in the equity capital.”

Iliyas Issatayev

Invictus Fitness

“There is a feeling that there are changes for the better in the fight against corruption and bribery. Probably, it happened after the January events.”

Nursultan Zhumabek

hoffmann aluminium

“The tax system is efficient. There are no global problems. There are more questions in the personnel qualification. In principle, the system is quite clear. If there was some support, consultations of the tax authorities, namely support, clarification, but not punishment, then that would be good. It is hard to violate nothing, working even 100% legally. As a rule, these are simply errors, since the wording in the code or rules is ambiguous, and this requires explanations from the state authorities. Often, we cannot get an unambiguous answer to direct questions about how to interpret this or that item.

It is necessary to help and explain to business, but not to fine and punish.

The income of the population will grow when small and medium-sized businesses can afford to pay more to people, then people will have money. Accordingly, if the state had taken any effective actions, then this process would have been organised by itself, absolutely harmoniously. Therefore, I believe that so far the actions are inefficient.

The investment attractiveness of the country is now a good opportunity in this area. We can make tax-free zones, not one, but several, and give guarantees at the government level to protect the investments - even this will be enough.

The rule of law - it has become better, there is no what that used to be. Now if you are right, you will defend your position sooner or later. You may simply not have enough strength to follow this path, but in general, my experience is that it has become better.

Regarding corruption, I do not see any changes yet, although recent trends indicate that the state wishes to change something in this matter. I am sure that if there is a desire, then everything will be good.”

Mikhail Borisov
Fluidra Kazakhstan

“Developed infrastructure - very efficient. The digital government of Kazakhstan, as far as I know, ranks 28th in the world, ahead of, for example, Canada and Portugal. I see what banks are doing now with the Smart bridge product - it's great.

I can not definitely say about the effectiveness of investment attractiveness. I think so: there are some foreign enterprises that work here, mainly pumping the resources. If we talk about technology companies, then there are practically none. At the same time, I understand that there are macroeconomic indicators about the size of the market. The population in Kazakhstan is 19 million people, the population density is low, there are not many large cities, in terms of infrastructure we are quite far from the regions with high density - this is not South-East Asia, not Europe. It is difficult to say who will choose Kazakhstan even with all other things being equal, even if there is political and economic stability here. Nevertheless, the measures are being taken, so I cannot say for sure. There are advantages: the lack of a large flow of capital makes it possible for local entrepreneurs to develop without high competition.”

Nikolay Mazencev
Chocofamily Holding

“The rule of law in all areas of state activity is not very effective. More than 99% of cases reaching the court result in a conviction. Acquittals are less than 1%. This cannot be even according to statistics and logic.

Access to cheap capital - very inefficient. It is impossible to attract cheap capital to venture capital. We are offered financing at 10% per annum in dollars, despite the fact that we are a start-up. Large companies are more likely to have access to cheap capital.”

Doszhan Zhussupov
Cerebra

“I can't say for sure on all items. Now we have a new government, so far I do not see any changes, not enough time has yet passed. We have lost a rating in the investment attractiveness of the country. Qualified and adaptable personnel is a serious, basic issue. Many years of work, but the result is not visible. The digital infrastructure is more or less done, it is effectively set, but the physical infrastructure needs to be further developed including the energy sector. I will not say that climate changes and environmental damage are now on the agenda in Kazakhstan. I saw almost no serious discussion. We are currently developing a new environmental code, but there are many questions about it. Unfortunately, there is a whole problem there. On the one hand, we must take into account the best practices in environmental laws, but on the other hand, we must also take into account the realities of our economy. Our economy is based on raw materials, industrial. Such topics are highly questionable - how to live in those cities and regions where these enterprises are located, how to work there, what environmental standards to apply. There are a lot of difficult and very ambiguous aspects.

Tax system - inefficient. First of all, the issue relates to the stability of the tax policy rather than to changing tax rates. If serious changes are to be made to taxes and rates, then, firstly, it must be done ahead of time, for example, three years in advance. We cannot change the rules of the game very easily and quickly.

I don't know what is the world practice of changing taxes, but if we are talking about increasing taxation, then there should be deadlines given the budgets already adopted. Because if there is an investment process, then changes in the external environment are very big risks. The project may become inexpedient, unprofitable, we can fall into default. The tax regime instability is a serious risk that any investor takes into account.”

Marat Seitkulov
Caravan Resources

“We are certainly ready to cooperate in order to develop the payment infrastructure and to create a more efficient tax system that would stimulate the development of small and medium-sized businesses so that these businesses do not have to stay in the shadow economy, but have incentives to move online.

Greater equality of incomes of the population - we are working with the state in this direction by providing an equal access to everyone to receive and make payments, and this, in turn, is one of the factors affecting income equality. Health and well-being of employees - as for this issue it is not so much the government but the company that we deal with, we focus on the health and well-being of employees very much. It is unlikely that we can talk about working with the state on a diversified and inclusive personnel, although the program I've mentioned, She's Next, is, of course, about even greater inclusion of women in entrepreneurship, and we are also working with the governmental authorities in this direction. If we talk about cooperation on macroeconomic issues, then I think that the very fact of Visa's work in the Kazakh market is one of the positive signals for other representatives of the global economy.”

Cristina Doros
Visa Central Asia and Azerbaijan

“We are ready to cooperate on reducing the risks of climate change and environmental damage. This is important for us, and we are looking forward, ready to do everything we possibly can. We are also ready to share our experience in matters of diversified and inclusive personnel. We absolutely respect diversity.

We cooperate in the fight against corruption. We are one of the initiators of the ethical code of conduct, we strictly comply with it and everywhere we talk a lot about it to doctors and pharmacists, we learn to work ethically and transparently. Here, I think, our contribution is quite large.”

Arminas Macevicius
STADA

“We would like to cooperate with the state and be able to voice our wishes for the infrastructure development, an efficient tax system, the rule of law and investment attractiveness. Cooperation in a predictable macroeconomic environment implies the predictability of each individual enterprise, a road map may be created. We are interested in cooperating on these matters both with state authorities and also with businesses.”

Bernard Vavrzhin
Mareven Food Tyan-Shan

“We are ready to cooperate on the matters of an efficient tax system, a developed infrastructure, a predictable macroeconomic environment and the development of qualified personnel. We have already had a developed one-year educational program for the public officers, after which everyone will receive important knowledge and a reboot.”

Erlan Ospanov

Verny Capital

“We are interested in cooperation with the state on reducing the risks of climate change, developing a predictable macroeconomic environment and improving the investment attractiveness of the country.”

Saule Zhakayeva

Citibank Kazakhstan

“We are ready to cooperate with the state in terms of development of the infrastructure, personnel, an effective tax system, and the fight against corruption and bribery, especially with regard to fraud.

During the January events, we monitored and found ads where stolen goods were sold. We transferred all information to the police. It is important to us that online shopping is safe. We constantly monitor our database of entrepreneurs, and in case of dishonest actions on the part of a seller, we block it. Our goal is to ensure that only trusted sellers with good service remain on the marketplace.”

Maxim Melnik

Satu.kz

“We are ready to cooperate on the matters of an efficient tax system, a developed digital and legal infrastructure, and access to cheap capital. As for the cheap capital, we want to be able to use these programs. We have a small credit line under the Damu program and we want to expand it. As for the digital infrastructure development, we cooperate at the level of the legislative process and communicate our needs in every possible way. In this sense, we cooperate not just as the users. The same refers to the tax system – we ask you to optimise the tax burden where it does not correspond to the business models.”

Alexey Sidorov

Silkway Group

“Our cooperation is formed mainly through the Direct Selling Association of Kazakhstan. We try to work in different groups reviewing the proposals for the tax and administrative codes - I believe that this is also an important part for civil society, we are making our contribution to it. Unfortunately, it often happens that our proposals do not even have time to be considered. It should not be like this, but we still continue to try, expand the list of contacts, people who can broadcast something through the laws. I believe that the more the power of law becomes in our country, the better it will be for citizens, for business, and for the state.”

Konstantin Kulinich

Mary Kay Kazakhstan

“We are interested in cooperating with the government on infrastructure development, tax efficiency, privacy precautions, and the investment attractiveness of the country. In some aspects, we are already cooperating, we as a business are interested in improving and developing these goals.”

Nikolay Babeshkin

Kolesa Group

“Access to cheap capital. One of the initiatives that we plan to launch next year is Glovo House, under which we will receive investments for startups, act as a platform through which you can receive money to create your own business. We plan to attract investments not only from Kazakhstan, we will collect interesting projects from different markets.”

Karim Boguspayev

Glovo Kazakhstan

“In my opinion, the three main goals that the state should pay maximum attention to are a developed infrastructure, the rule of law, and qualified personnel. The physical infrastructure needs to be improved. For example, getting from Astana to Alakol is not easy. It is easier to visit more comfortable and cheaper options for holidays outside the country. It is necessary to build roads, this will attract business, investment and economic growth.

I can not definitely say about the effectiveness of investment attractiveness. The first thing that affects this is the judicial system for Kazakh and foreign investors, both for internal and external players. I argue as a representative of a bank: we act as creditors, we are criticised for not lending to the economy, but if a client goes into the “problem” category, it is extremely difficult to sue him for collateral. If we are adopting the Western system and standards, then I think we need to adopt them completely, not partially. In Western countries, creditors are clearly protected. External investors always pay attention first of all to the judicial system. Until this is resolved, there will be no big changes.”

Bekzhan Pirmatov

ForteBank

“In order to increase the investment attractiveness of the country, we attracted finance for the development of the transport and logistics industry in Kazakhstan from such foreign giants as CITIC Capital Silk Road Fund and the European Bank for Reconstruction and Development, EBRD (EBRD). The investments received were used to expand and develop transport and logistics terminals, improve the railway infrastructure, purchase a fleet of wagons, locomotives, etc. Also, thanks to the active growth of the company, we are constantly creating new jobs, and this, in addition to promoting the employment of Kazakhstani, also replenishes the budget through tax and other deductions.”

Marat Zhuman

Atasu Group

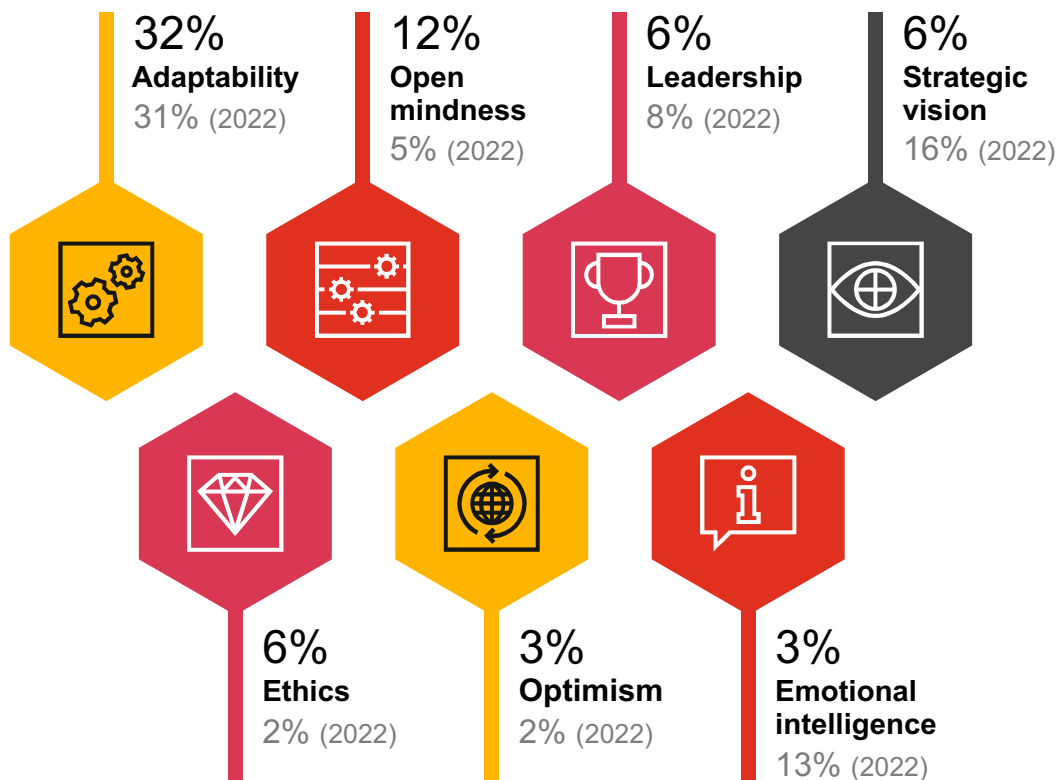
The Best in 2022

Theme

Main quality of a CEO for successful work in a modern business environment

For the first time in 11 years of surveying the CEOs of private business in Kazakhstan, the majority of local respondents found it difficult to answer the question who, in their opinion, was the best CEO according to last year's results. First of all, this is primarily due to the rather difficult circumstances of 2022, when the managers were forced to look for any ways to maintain the viability of companies and reorganise the business processes. The managers have noted that one of the main tasks of almost all companies was to adapt to current changes and new rules, so it is extremely difficult to name the best one.

According to the respondents, over the past few years adaptability has remained the main quality for a manager in the current business environment. It is interesting to note that this year the openness to the new has gained 12% which is 2 times higher than last year. 6% of respondents noted the strategic vision compared to 16% last year. Ethics has tripled (6%), and emotional intelligence has decreased from 13% to 3%.



"The head of the company must be a leader who is believed. Belief is not an empty word. The belief is built on deeds, time and experience when people have gone through ups and downs together. In the most difficult periods of time, the leader does not lose its heart."

Farrukh Makhmudov
Orbis Kazakhstan

"The main qualities for a leader are strategic vision and consistency."

Kairat Mazhibayev
Resmi Group

"The main qualities are responsibility, adaptability and courage. The leader must provide resources and lead the company forward in a rapidly changing world."

Azamat Osmanov
Magnum Cash & Carry

"Versatile mind, ability to change and a high level of adaptability to change, developed emotional intelligence."

Anna Dyu
Noventiq

“The main thing is to understand the client well and create value for him/her with your products and services.”

Mikhail Lomtadze

Kaspi.kz

“The main thing for a leader is the ability to understand trends and market movements, and vision.”

Alexey Lee

Arbuz.kz

“Adaptability is the ability of the head of the company to see and understand the need for constant change in its business. Whenever you think you're a champion, you've achieved everything and you are invincible, you've already drowned. Therefore, the ability to see your business in constant change is the most important thing.”

Cristina Doros

Visa Central Asia and Azerbaijan

“Flexibility in everything - in the acquired knowledge, in responding to situations, in the work with the partners.”

Yerkin Dlimbetov

Ordamed

“The main qualities for a leader are good communication skills, the ability to formulate an inspiring business goal, flexibility, adaptability, and the ability to change direction quickly. It is necessary to be guided by empathy, sincerity and motivation by personal example.”

Juan Carlos Escobar

Philip Morris Kazakhstan

“Flexibility is the most important quality for a leader. Today, everything is changing very quickly, and if the head of the company does not keep up with the changes that occur almost daily, he/she risks being left behind the competition.”

Yuriy Negodyuk

Restaurant chains: “BAO noodle&sushi”, “Pinta”, “Tomato”, “The Banka”, “Paul”

“I think that curiosity should be the driving force as it can lead to great achievements. By being curious, you can learn more about the customers, find out what's going on inside and outside the company, interact with the state authorities and competitors in all environments - basically find time for everything. However, everything depends on whether it is necessary. It's like the energy for a person. I think that in order to stay at the forefront, it is absolutely necessary to have this quality.”

Arminas Macevicius

STADA

“Now the leader needs flexibility, speed and adaptability in making instant decisions.”

Bernard Vavrzhin

Mareven Food Tyan-Shan

“The head of the company must be adaptable in the modern business environment.”

Erlan Ospanov

Verny Capital

“Self-determination, adaptability and flexibility. Rapidly changing conditions and environmental factors now and frequent unpredictability require the leader to be decisive, make decisions quickly and be flexible in their implementation.”

Alexei Khegai

TSPM.

“We have meta-values, this is just the state of the leader where he must stay when making decisions. The state of love, wisdom and will.”

Serik Tolukpayev

Aitas-Group

“The main qualities are adaptability to new realities, quick decision-making, stress resistance and quick learning.”

Almas Kudaibergen

Centrasia Group

“We have seen an extraordinary and volatile business environment in 2022, so the ability to make high-quality decisions quickly, develop and retain talent, a high level of emotional intelligence and the desire to implement best practices remain high-demand for the head of the company. Of course, these qualities of a leader are always relevant, but in an extraordinary situation, their importance and being in demand are especially pronounced.”

Saule Zhakayeva

Citibank Kazakhstan

“Leadership, the ability to manage people, lead them. If you don't have such leadership qualities, people won't follow you.”

Askar Baitassov

abr

“Intuition.”

Valikhan Ten

World Class Almaty

“Responsibility - to investors, partners, customers and most importantly - to the team. You should always remember that they've believed in you and do not give up when difficulties arise.”

Bolatbek Ospanov

Smart Satu

“The head of the company must have a clear strategic vision, “ignite”, captivate and motivate the team.”

Erik Shortanbayev

Skymax Technologies

“I think that the key quality of a modern leader is adaptability. It should manifest itself in all aspects including localization. Any business needs to adapt to the local culture, people and language. The goal should be not just earnings, but also integration into society. It is important to show respect and consider the local cultural aspects.”

Maxim Melnik

Satu.kz

“A leader is someone who can define the purpose of the company, sincerely believe in it and involve the team in its implementation.”

Alexandra Bekisheva

Engineering Company “Kazgipronefttrans”

“Business adaptability, the ability to compare politics and business.”

Kuanysh Ospanov

Sanofi Kazakhstan

“Adaptability remains a priority quality of a leader, the ability to reorganise is very important. Stability in adaptability. Everything is changing rapidly, people have to be able to make decisions quickly and implement them.”

Alexey Sidorov

Silkway Group

“I am sure that the core competency of a leader is a strong ethic. If we do not develop ethics, all other qualities will not be needed. The main threats that have already occurred or are about to occur are not related to business performance or technology. This level of problems is in the past. We've successfully dealt with them. New threats are conceptual. For example, how artificial intelligence will be developed. Or environmental threats. Risks of loss of resilience associated with biodiversity or a pandemic. All these threats are among those that we have not yet faced. And this means that even successful leaders do not have ready-made answers. And no management, finance or marketing textbook will tell you how to run a business when people are threatened by an epidemic, or when a new technology threatens their freedoms or conflicts with constitutional rights, or endangers the planet's climate. We do not have such solutions. They will have to be developed while on the go. This is possible only if the managers of the future will rely on a new, strong ethics. Ethics is a set of social standards that increase a society's chances of survival and success. You need to learn this now. It is extremely naive to hope that we will manage when the time comes. All current "effective" managers will follow the dinosaurs along with their businesses. They just won't be able to adapt. We need to conduct an open public dialogue about the new rules of the game now. It is necessary to agree, and this should be an ethical conversation.”

Konstantin Kulinich

Mary Kay Kazakhstan

“The main quality for a leader is the ability to adapt to changing circumstances quickly and efficiently.”

Mikhail Bazanov

Mars Kazakhstan

“In the modern business environment, the main quality, in my opinion, is the focus. Nowadays, there are companies that, having achieved success, begin to think and act as if they can do anything. The moment you, your company and/or culture start thinking like this, it is the beginning of the end, sooner or later a mistake will be made. This happens to many global companies. Regardless of success, you need to be focused on your tasks and goals, no matter what. Defocus can make big business fail.”

Nikolay Babeshkin

Kolesa Group

“I think it's important to be rational and data-driven. The first leader in many ways must fight with himself, with his ego. The external environment is often several times greater than the protective measures inside the company, so it is necessary to be impartial and focus on rationality relying on data. And this is already 50% success.”

Olzhas Junussov

Kazphosphate

“There are different formulas, but for today it is adaptability.”

Iliyas Issatayev

Invictus Fitness

““Modesty, humility, humanity...” K.K. Prahalad..”

Kiril Bachvarov

Home Credit Bank

“The main quality for a leader is to be an ideological inspirer. It is necessary to create values, follow them and not put money at the forefront. It is important that the ideas demonstrated by the leader are understood and accepted by his/her team. So the success of such a team will be ensured.”

Nursultan Zhumabek

hoffmann aluminium

“Curiosity and modesty. Hence the desire to learn new things, to adapt to new realities. It is also important to be true to the right values that allow us to grow teams, businesses and help the society where we are as entrepreneurs.”

Karim Boguspayev

Glovo Kazakhstan

“Adaptability, the ability is to respond to changes. Ability to formulate goals both in the short and long term. We should clearly understand where we are going, what we want to get in the end, how we see our company in five years. If we do not see this, then everything is meaningless. It is necessary to go to this goal, not looking back at the current situation. And if there are any changes in the process, you need to respond to them quickly, this is adaptability. We need to learn to accept the fact that we could be wrong for objective or subjective reasons and change something in our strategy along the way to the goal.”

Mikhail Borisov

Fluidra Kazakhstan

“I think that the main thing is mental acuity. If a person has the mental acuity, he can understand in different situations that he needs to act differently. Somewhere you need to be firm in order to maintain your position, somewhere you need to give in, somewhere you need to take risks, and somewhere you need to see these risks and not take them on yourself. Therefore, if a person has a high level of intelligence, then he can be quite adaptive in different situations, be able to see certain qualities that the team has or lacks.”

Nikolay Mazencev

Chocofamily Holding

“Singleness of purpose, readiness to go to your goal, regardless of victory or defeat.”

Doszhan Zhussupov
Cerebra

“The leader must quickly adapt to the changing external environment. Everything is changing too quickly, and it seems to me that imbalances and contradictions accumulated in humanity as a whole have now begun to spill over. I don't know what's going on in the world - maybe it's a transition to a new social and economic formation or information progress has finally accumulated, that leads to fundamental changes in thinking and culture. But something very serious is going on, and the results, at least for now, are unclear to me.”

Marat Seitkulov
Caravan Resources

“One of the main qualities for every leader in the modern business environment should be optimism.”

Ilya Martinenko
Avrora Holding

“Everything is changing too fast, the cycles are reducing. For example, during the January events, everyone thought about the bank's ability to continue operating without the Internet. Further, the February events, sanctions, changes in cash flows, currency control provoked us to reorganise almost all of our processes. Digitalization is also changing consciousness and reality. If earlier we've lived in the paradigm that we do not grow in the head office, but grow only in branches through sales, now the mass segment is going digital, and the former paradigm is completely irrelevant. I am convinced that changes will continue, the CEO must be adaptive, flexible, open to new things today. In the modern world, the current infrastructure and organisation model may become irrelevant in 2-3 years. Missing the changes, we can not have time to catch up. Therefore, we must always be adaptive and flexible.”

Bekzhan Pirmatov
ForteBank

“A successful leader is a strategist who knows how to bring people together around a common vision.”

Murat Alikhanov
1Fit

“The main qualities for a leader are innovative thinking and creativity.”

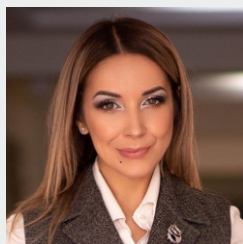
Marat Zhuman
Atasu Group



Meet the CEOs



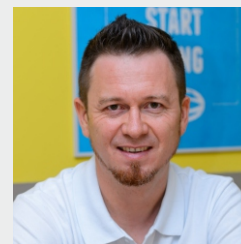
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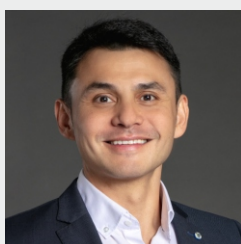
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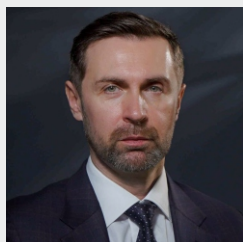
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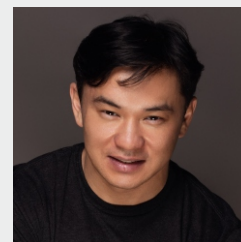
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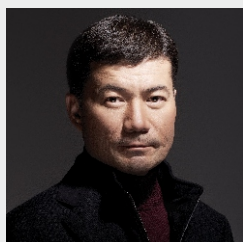
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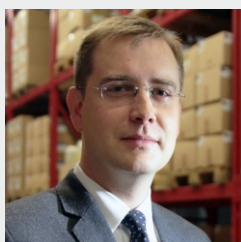
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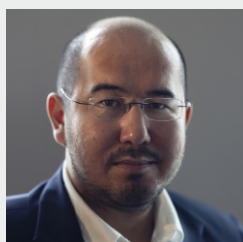
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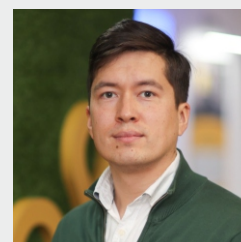
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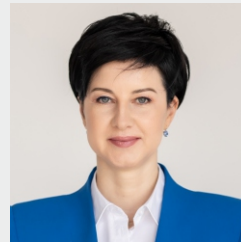
Meet the CEOs



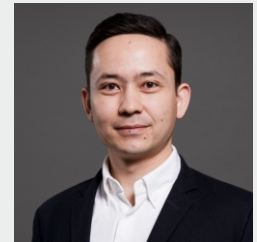
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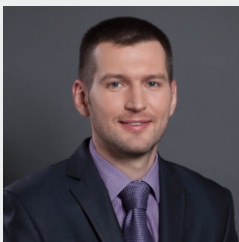
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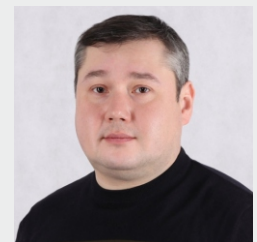
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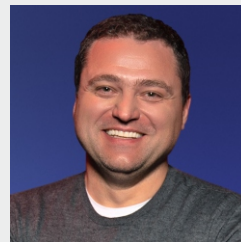
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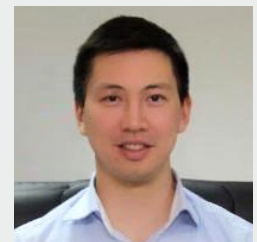
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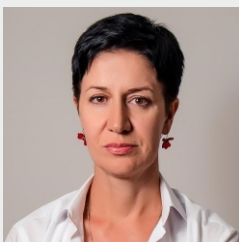
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Nursultan Zhumabek
hoffmann aluminium



Oksana Brichevskaya
HeadHunter



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Research Methodology

About 68 chief executive officers of private businesses took part in the Kazakhstani poll, more than half of those CEOs surveyed gave us complete and detailed interviews. In order to get the most complete picture for the country, we have selected chief executive officers from various industries: metallurgy, finance, energy, oil, telecommunications, automotive, consumer goods, construction materials, transportation and logistics, information technology, hotel and restaurant business, retail, fitness industry and pharmaceuticals. The CEOs were asked to answer questions about growth prospects for the Kazakh and global economies, business threats affecting the business, the investment climate, business transformation and industry changes over the next 10 years, and climate change risks. Survey participants were also asked to express their opinion on the priorities of the state affecting Kazakhstan and their business in particular, as well as on cooperation with the state authorities. Interviews in Kazakhstan were conducted from November 2022 to February 2023. All quotes expressed by Kazakhstan CEOs and provided in this study have been previously agreed with the respondents. All management positions are listed at the time of the interview. All face-to-face interviews and electronically completed questionnaires where quantitative indicators are provided have been carried out on the basis of confidentiality. Note: not all the figures provided in the study add up to 100% due to rounding percentages and excluding the following answers: "I can't say definitely", "I don't know", "refuse to answer"

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