

ESG Awareness in Eurasia

Survey

PwC Uzbekistan Edition
1 July 2024



Introduction



Abdulkhamid Muminov
Managing Partner
PwC Uzbekistan

I am delighted to present the results of the PwC Eurasia* ESG Awareness survey, which covers Azerbaijan, Kazakhstan, Mongolia and Uzbekistan. These country-specific reports are designed to enrich the global discussion on ESG issues and provide significant regional perspectives on the status of ESG integration within businesses.

Over the past three years, a significant trend has emerged, with a growing number of companies incorporating ESG practices. This shift is mainly propelled by pressure from diverse stakeholders and companies' internal drives. Our survey indicates that over half of the participating companies have either implemented a comprehensive ESG management system or are currently amalgamating various environmental and social policies into a coherent framework. Additionally, companies are actively bolstering their sustainability reporting endeavours, with many opting to either issue separate ESG reports or integrate ESG factors into their annual reports.

Despite the progress made, companies have highlighted numerous challenges in their ESG endeavours, including a shortage of expertise, financial limitations, and legal and regulatory issues. To surmount these obstacles and propel their ESG initiatives forward, companies stress the necessity for regulatory backing, financial aid, technical know-how and knowledge enhancement in ESG management systems.

I want to express my appreciation to everyone who took part in this survey. The insights shared in this report are invaluable for businesses, policymakers, and other stakeholders committed to promoting sustainable practices and corporate governance standards across Eurasia.

Agenda

1

Overview and methodology

2

ESG agenda in Uzbekistan

3

Survey results

Respondent profile

Results

- 3.1 ESG implementation trends
- 3.2 Organizational progress in ESG
- 3.3 Top focus areas in ESG implementation
- 3.4 Organizational implementation of ESG
- 3.5 Climate change

4

Conclusions



Executive summary

Recognizing the critical role that ESG plays in long-term business sustainability, this report provides an in-depth analysis of ESG awareness survey across four Eurasian countries - Azerbaijan, Kazakhstan, Mongolia and Uzbekistan. This survey is a part of PwC Eurasia broader research initiatives aimed at exploring various aspects of ESG topics and their impact on businesses.

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

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

Our findings demonstrate that the main discrepancies across the surveyed Eurasian countries are evident in the maturity of ESG practice. The range of companies, which have at least high-level ESG strategies varies from 21% to 62%, while the portion of companies, which have discrete ESG management system or separate environmental and social policies varies from 50% to 80%. This can be explained by the different starting points time-wise: for example, in Kazakhstan 45% of companies started their ESG journey more than 3 years ago, which is the highest percentage across the region, others demonstrate more recent involvement in ESG integration.

In Uzbekistan, the ESG awareness is expanding. 46% of surveyed companies demonstrate a comprehensive understanding of ESG practices and their organizational impact, while 50% of respondents believe that the ESG agenda, in general, will exert moderate to no impact on national economies or businesses. However, recent regulatory efforts, such as, for example, the adoption of the 'Strategy on Green Economy Transition 2019-2030' (2019), 'Program and a Plan of Action for Transitioning to a Green Economy and Ensuring Green Growth until 2030' (2022) and the decree 'On Approval of the National Green Taxonomy' (2023), demonstrates a proactive stance of regulatory bodies towards promoting sustainability practices in alignment with global trends.

Our evidence suggests that companies across the region share concerns about several ESG issues, indicating common priorities and challenges ESG issues. According to the respondents, key regional environmental issues include energy consumption, climate change and waste management. However, there appears a gap between recognition of climate risks and implementation of real actions to mitigate them: 67%-95% have assessed climate risks. But share of companies that have not taken any action so far is sizable and varies 24% and 42% of respondents in different countries. Employment practices, health and safety standards, and education and training emerge as critical social factors, while diversity and inclusion, one of the biggest social pillars is only outlined by 23% companies, on average. Compliance, ethics and business conduct, along with management of ESG issues and risks, are central to the governance agenda of our respondents. But important topics like board diversity and shareholder rights were both chosen only by 8% of companies, on average. While operating the business in the region, there is currently a strong emphasis on enhancing financial performance (chosen by the majority of companies in all countries) and less focus on ESG-related topics.

1

Overview and methodology



Methodology of study

► What we analyzed

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

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

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

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

► How we analyzed

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

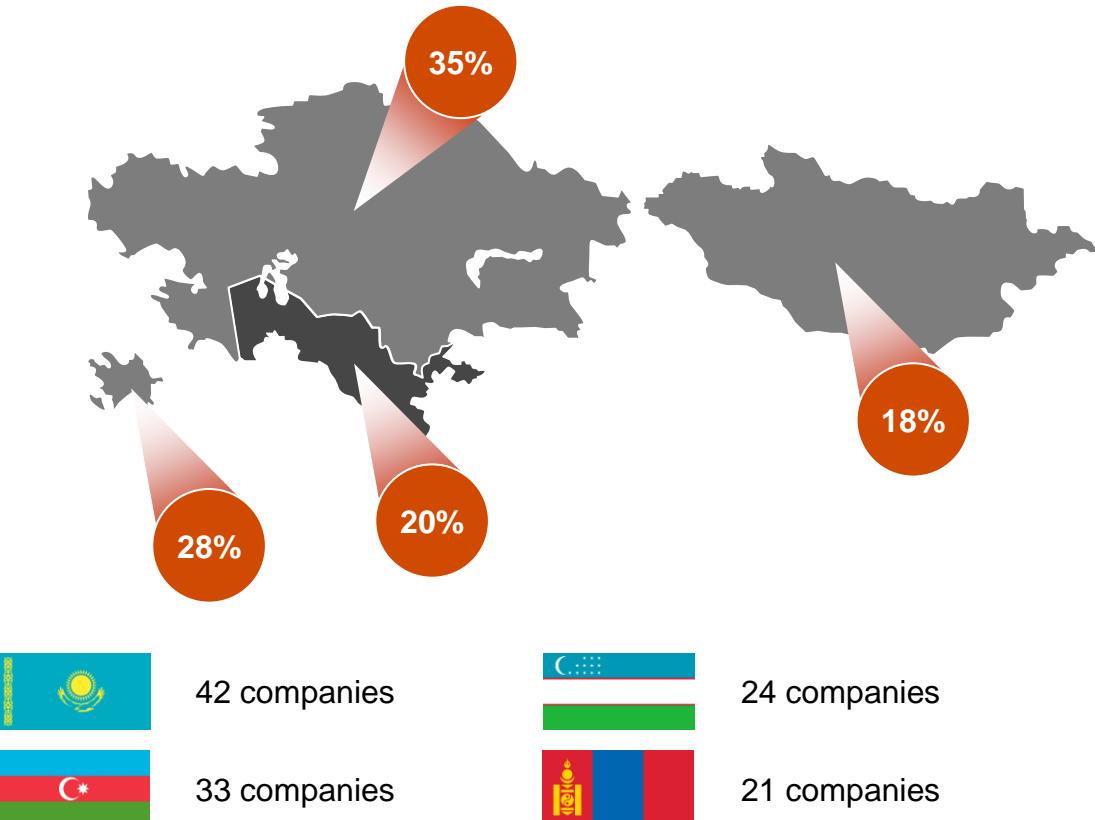
Companies were approached through two distinct methods: firstly, PwC compiled a list of companies meeting the selection criteria and directly sent the survey to them. Secondly, in Azerbaijan, Kazakhstan and Uzbekistan we collaborated with The American Chamber of Commerce (AmCham) to extend the survey to their member companies, thereby enhancing the breadth and depth of our data collection efforts. We express our sincere gratitude to AmCham for their valuable contribution to this endeavour, which significantly enriched the scope and relevance of our survey findings.

By employing this method, the study collected insights into the current state of ESG agenda from the 120 largest companies across 4 territories mentioned above. The study analysed data for 2023.

Profile of survey participants

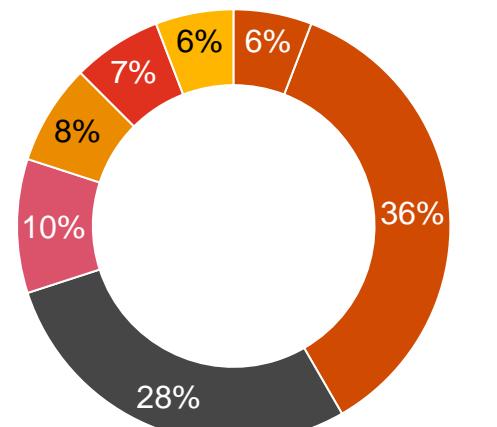
The survey included a diverse pool of respondents, totalling 120 companies across Azerbaijan, Kazakhstan, Mongolia and Uzbekistan. Kazakhstan had the highest representation with 42 companies, followed by Azerbaijan with 33 companies, Uzbekistan with 24 companies and Mongolia with 21 companies.

Location breakdown



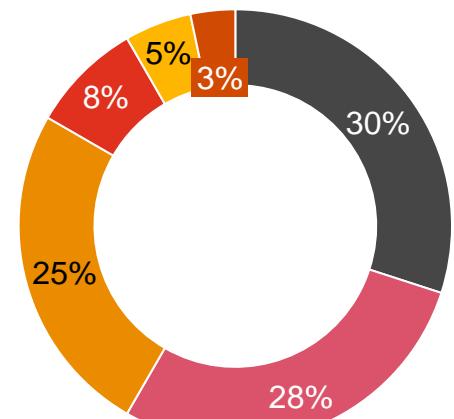
These companies spanned across more than 10 industries, with notable representation from such sectors as financial services, oil and gas, metal and mining, retail and construction.

Industry classification



- Financial services
- Oil and gas
- Metal and mining
- Retail
- Food and beverage manufacture
- Construction
- Other

Role of participant



- ESG/Sustainability/CSR
- CXO (C-suite executive)
- HR Manager
- Marketing/PR manager
- GR manager
- Other

2



ESG Agenda in Uzbekistan



Recently, Uzbekistan has focused on transitioning to a green economy and emphasizing sustainable development



A number of sustainable development goals and measures until 2030, approved in decrees and resolutions of the Government of Uzbekistan



Reduction of specific greenhouse gas emissions per unit of GDP by 35% by 2030 (from 2010 level)



Increasing the production capacity of RES to 15 GW and bringing their share in total electricity generation to over 30%



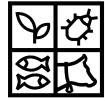
Introduction of environmental insurance and environmental audit system. Ensuring transition to international standards (UN Economic Commission for Europe, EU and others) in priority areas determining environmental quality

The active inclusion of the sustainable development agenda by the Government of Uzbekistan in the state regulation of the most important sectors of the economy underlines that the goals and benchmarks of the SDGs fully coincide with the priorities and objectives of Uzbekistan

Uzbekistan is actively advancing its sustainable development agenda as outlined in national decrees and resolutions



Environmental Objectives



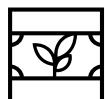
Sustainable and efficient use of natural resources (land and water)



Strengthening resilience to natural disasters and climate change



Green and low-carbon development of industry and the economy



Innovation and effective green investment



Sustainable and inclusive urbanization



Support for people and places most impacted by the transaction



Goals as per Green Economy Transition 2019-2030

35%

GHG emissions reduction by 2030

20%

Energy efficiency improvement through modernisation of industrial infrastructure

>30%

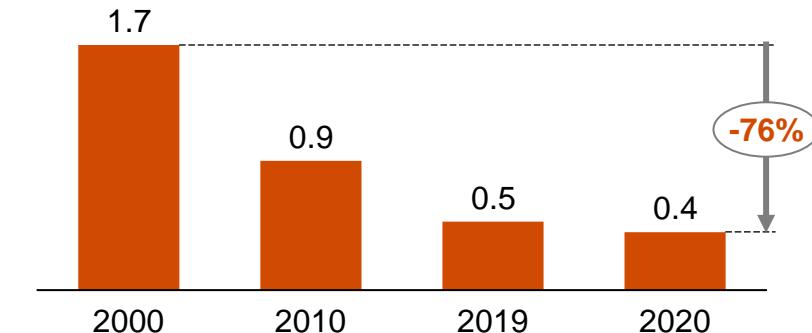
Increase in share of renewable energy in total electricity generation

1m ha

Introduction of water-saving irrigation technologies



CO₂ emissions (kg per 2017 PPP \$ of GDP)



Source: World Bank (2023)

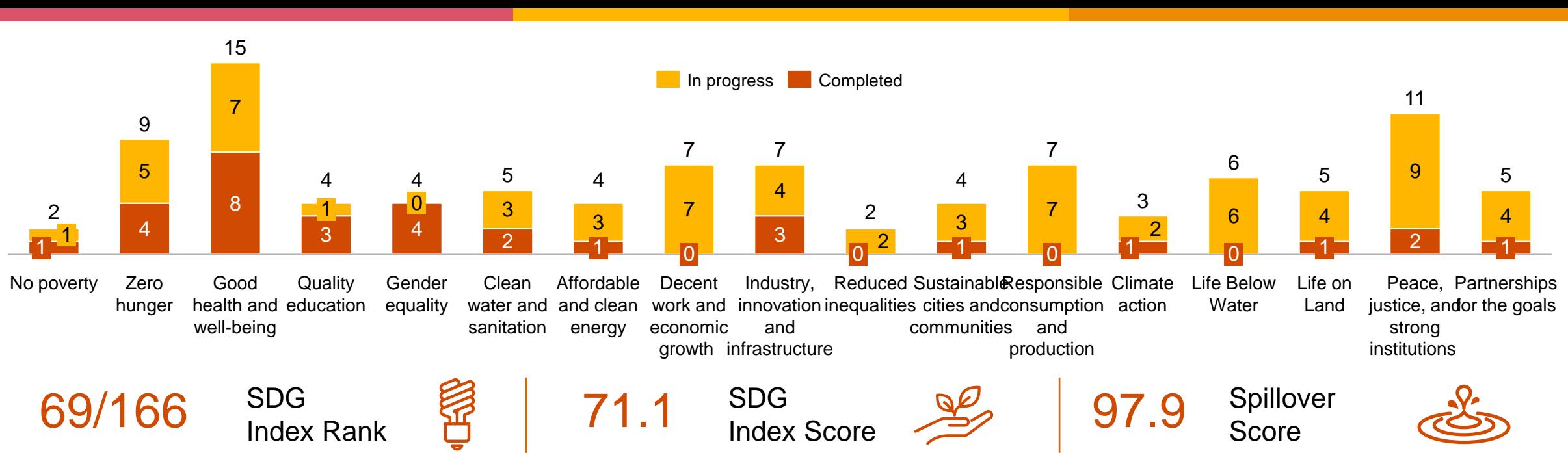


In July 2021, Uzbekistan **issued a \$235m sovereign SDG bond** to finance the most pressing national needs for 3 years at 14% coupon rate (nominated in Uzbek soums)

In 2023, Uzbekistan for the first time issued:

- **Two tranches of Eurobonds** worth \$660 million with maturity in 2028.
- **Green Eurobonds** worth 4.25 trillion UZS (~330m USD) with maturity in 2026.

Uzbekistan follows the UN SDGs and demonstrates commitment to sustainability through progressive regulations

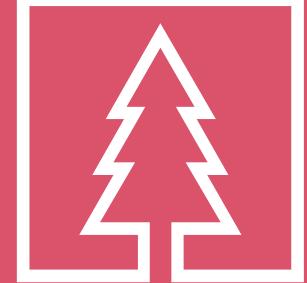


Uzbekistan adopted several state documents to **support SDG achievement**. Some of them include:

- The Law on Ratification of the Paris Agreement
- Law on Renewable Energy
- Law on Environmental Audit
- Law on Hydrometeorological Activity
- National Green Taxonomy
- Strategy for Transition to a Green Economy
- Presidential Initiative and a special UN resolution on declaring the Aral region a zone of environmental innovations and technologies
- Concept for the Development of Environmental Education
- The Environmental Code of Uzbekistan has been drafted and includes climate change provisions

3

Detailed overview of the survey results



Profile of the respondents from Uzbekistan

The survey included participation from 24 companies in Uzbekistan, with a significant majority (54%) representing large enterprises that employ more than 250 individuals. The survey included participation from 8 international companies with global presence. Additionally,

five companies headquartered in Uzbekistan were found to operate across multiple territories, further highlighting their expansive reach and influence. The main industries represented among the respondents are financial services, retail and machinery.

Role of participant



Industry classification

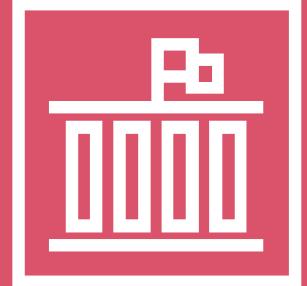


Company size, number of employees



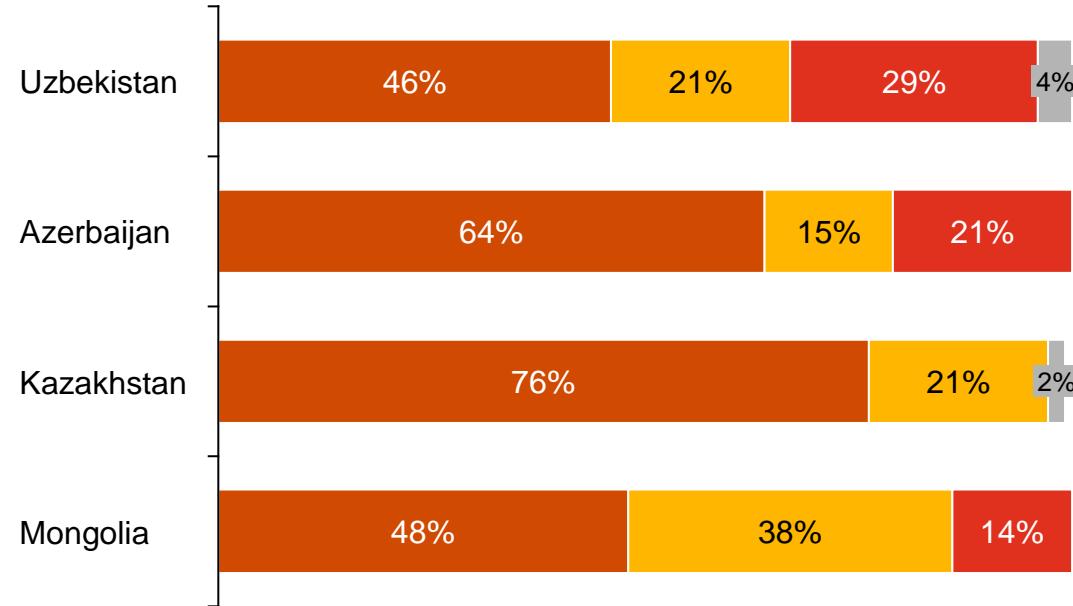
3.1

ESG implementation trends



Uzbek companies' familiarity with ESG is relatively lower compared to Kazakhstan, Azerbaijan and Mongolia

How familiar are companies with ESG/sustainability?



- Have a good understanding of ESG trends and their organizational impact
- Familiar with key ESG trends, lack understanding of their organizational impact
- Have a superficial understanding of the main concepts and trends
- N/A

Comments

The survey results show companies' familiarity with ESG varies significantly across countries. While a significant number of companies exhibit a good understanding of global and country-specific sustainability trends and implications for their respective industries and business operations, a considerable proportion still lacks comprehensive understanding of these issues.

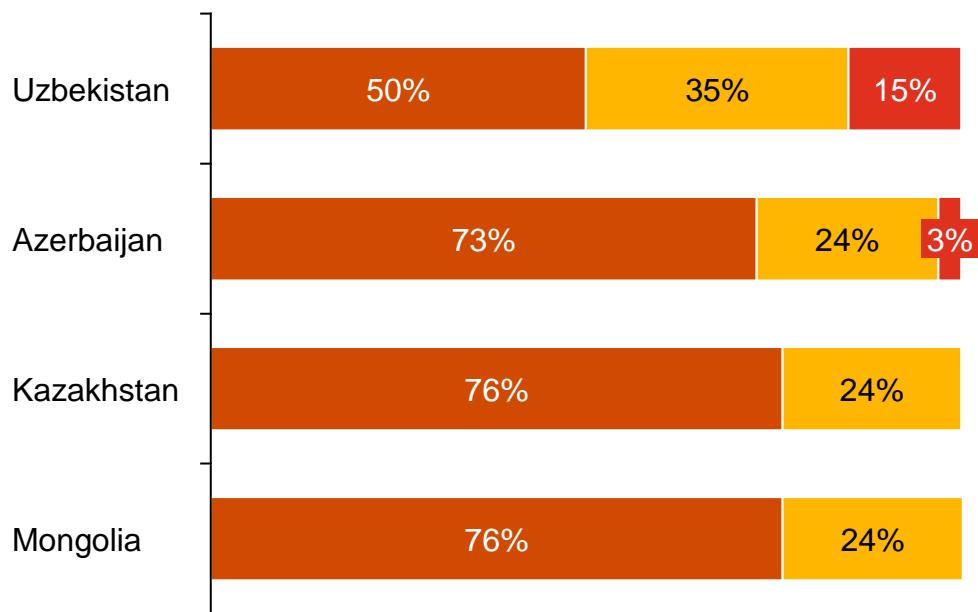
In Kazakhstan, 76% of respondents have a good understanding of ESG trends and its impact on their business operations. In Azerbaijan, about 64% of respondents have demonstrated a good level of awareness. However, in Mongolia and Uzbekistan, the share of companies with good understanding accounts for 48% and 46% respectively. Hence, more than half of the surveyed companies demonstrate a limited or superficial understanding of key ESG trends and their implications for future industry developments.

In Uzbekistan, surveyed companies demonstrate varying levels of familiarity with ESG/sustainability. While 46% of respondents have answered that they have a good understanding of ESG trends and its impact on the business operations. 21% of respondents answered that they are familiar with key ESG trends, but do not possess understanding. And 29% of respondents have a superficial understanding of the ESG concepts and trends. Thus, companies in Uzbekistan demonstrate lowest level of familiarity with and understanding of key ESG concepts and trends.

Around 35% and 50% of businesses have been anticipating moderate to significant changes in the economy/business in the next three years due to ESG agenda

Level of impact ESG factors are expected to have on the economy

■ Significant ■ Moderate ■ No impact



Comments

ESG factors may have profound impact on businesses and countries. Therefore, understanding how global trends and policies might create new risks associated with ESG transformations is crucial. The respondents in our survey have been asked to estimate the likely impact of the ESG factors on the economy/business.

Survey results from Uzbekistan reveal a different perspective, with 50% anticipating a significant impact of ESG agenda on the country or their business in the next three years, 35% foreseeing a moderate impact and 15% believing that the ESG agenda will not lead to real changes in the economy or their business in the next three years. This cautiousness towards ESG could stem from the relatively recent introduction of ESG-related regulations, suggesting a call for increased awareness.

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

Only 29% of companies in Uzbekistan report that they already have growing exposure to the ESG risks, compared with much larger proportion (between 45% and 60%) of companies in other countries

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

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

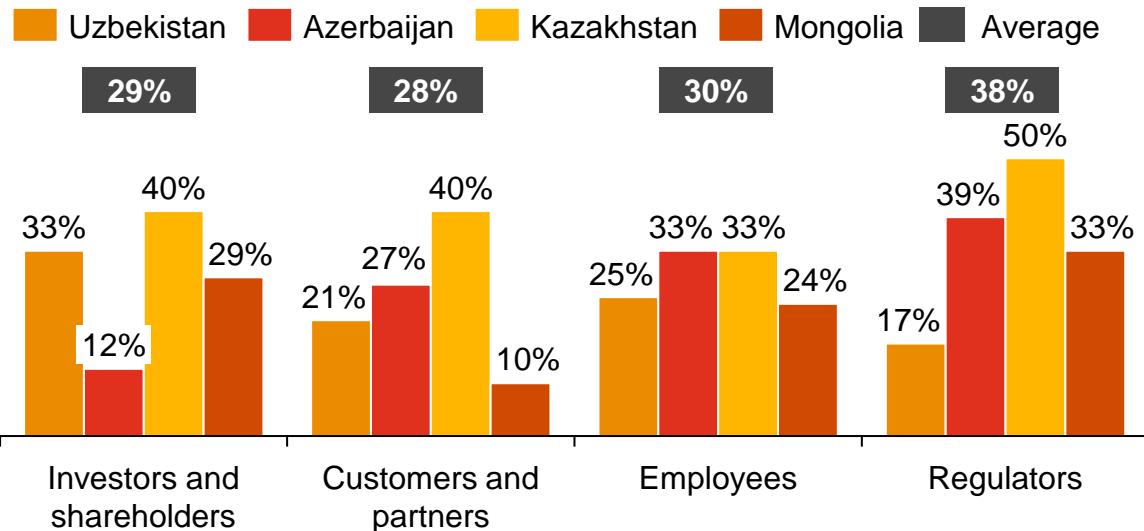
Approximately half of the companies in Azerbaijan, Kazakhstan and Mongolia express increasing exposure to ESG risks, compared to only 29% of companies in Uzbekistan.

29% of UZ companies think that their companies already have growing exposure to ESG risks (incl. Climate change risks)
AZ: 45%, KZ: 60%, MN: 52%

42% of companies say that they implement ESG agenda as **their voluntary contribution**
AZ: 33%, KZ: 24%, MN: 29%

8% of companies say that they **still do not plan to implement ESG agenda**
AZ: 0%, KZ: 0%, MN: 6%

Stakeholder groups promoting ESG agenda

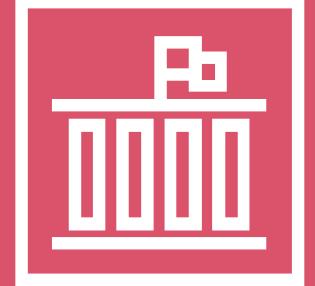


Alignment with stakeholders' expectations on this issue seems to be important for companies to comply with the legislation, gain access to capital as well as win customer trust.

Significantly, in Uzbekistan, the ESG agenda is primarily advanced by investors and shareholders, whereas in Kazakhstan and Azerbaijan, regulators are the main proponents.

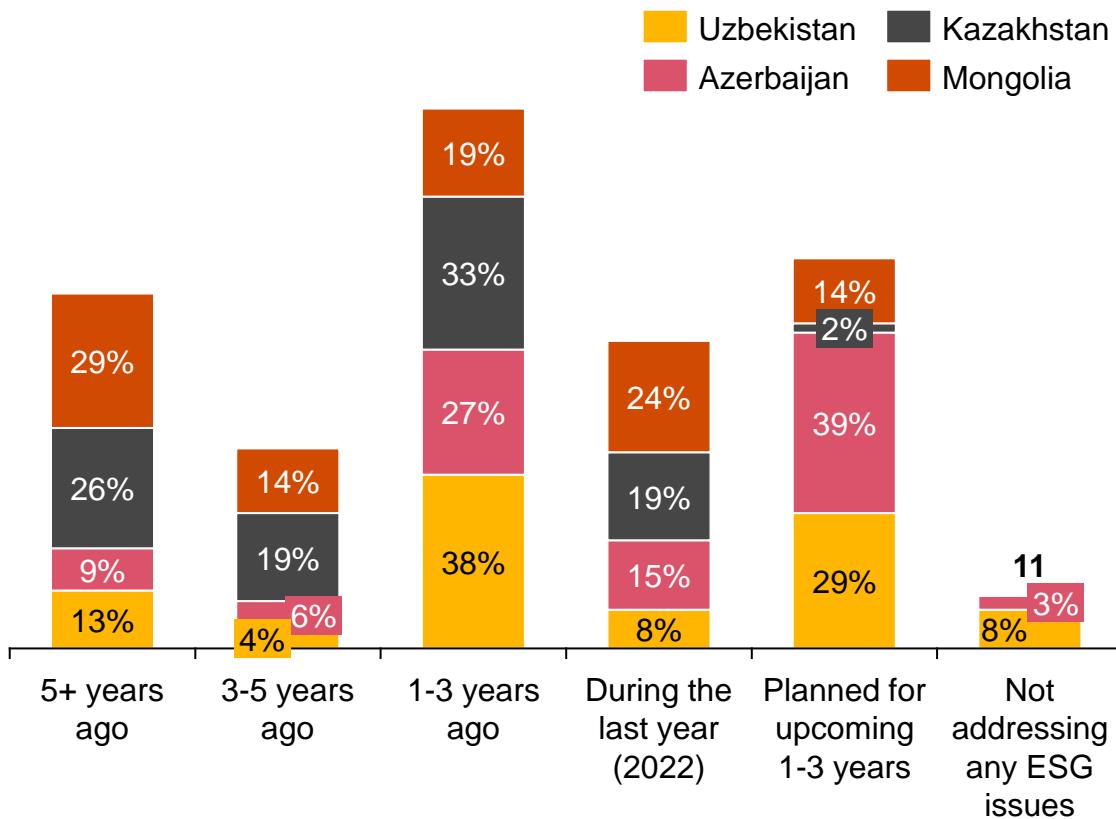
3.2

Organizational progress in ESG



Most of the companies in Uzbekistan, Azerbaijan and Mongolia have embarked on ESG activities in the last 3 years

% of companies that started ESG activities in a particular period



Comments

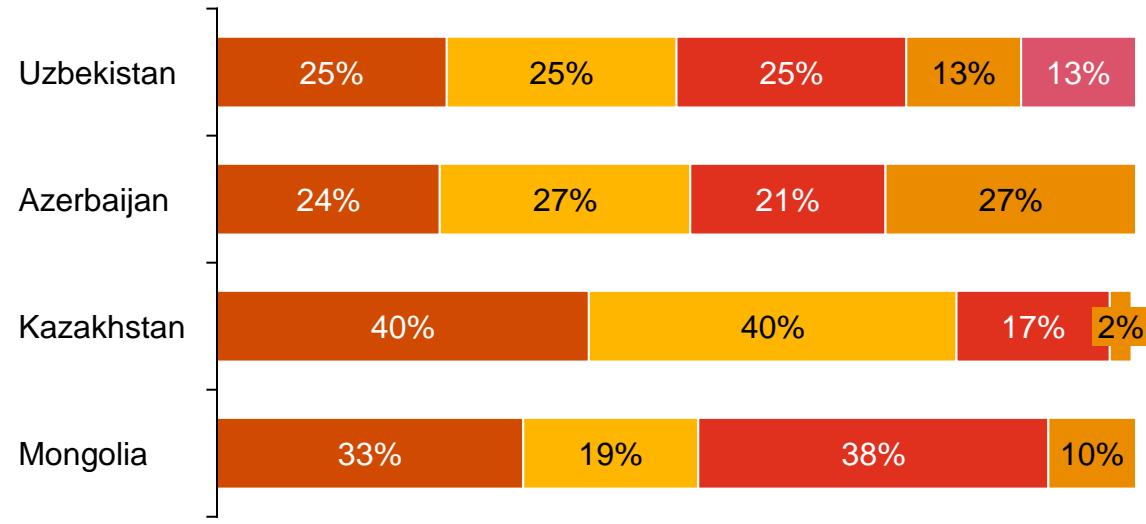
The timeline of ESG adoption among companies provides a significant perspective into the evolution of sustainability practices within the business landscape. Understanding when companies began their ESG activities offers insights into the pace of sustainability integration and the shifting priorities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

The majority of companies in Uzbekistan, Azerbaijan and Mongolia embarked on their ESG activities within the past 1-3 years, indicating a more recent incorporation of sustainability into their business operations, which time-wise corresponds to more active regulatory developments and spread of ESG agenda on the national level. In contrast, 45% of companies in Kazakhstan embarked on ESG initiatives over three years ago, indicating a relatively early adoption of sustainable practices.

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

In Uzbekistan, a quarter of companies have established robust ESG management systems, while around 25% of companies implemented separate environmental and social policies, indicating a proactive approach to sustainability

% of ESG Progression Landscape Across Various Stages



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

Comments

As the survey results show companies are increasingly integrating ESG considerations into their operations. However, the organisational progress in addressing and managing ESG issues varies across the countries.

In Uzbekistan, companies are actively embracing ESG principles, with 25% having established robust ESG management systems. However, around 50% of businesses have separate environmental and social policies but not systemized into a single framework or at the early stage of development, reflecting a proactive sustainability approach. In comparison with other peer countries, Kazakhstan leads in ESG commitment, with 80% of surveyed companies reported having established ESG systems or actively implementing policies.

In Mongolia, there is a varied landscape in ESG progress among companies, with 33% having a well-established ESG management system, 19% implementing separate environmental and social policies, 38% in the early stages of policy development and 10% not yet addressing ESG but conducting research on the topic. Similarly, Azerbaijan displays a mixed picture, with 24% of companies having a robust ESG management system, 27% implementing separate environmental and social policies, 21% in the early stages of policy development and 27% not yet planning to address ESG issues.

In the Eurasian region, there is significant difference in the level of responsibility for ESG initiatives within the hierarchy of leadership

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

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

Note: Percentage of respondents

ESG Awareness: Uzbekistan

PwC

Comments

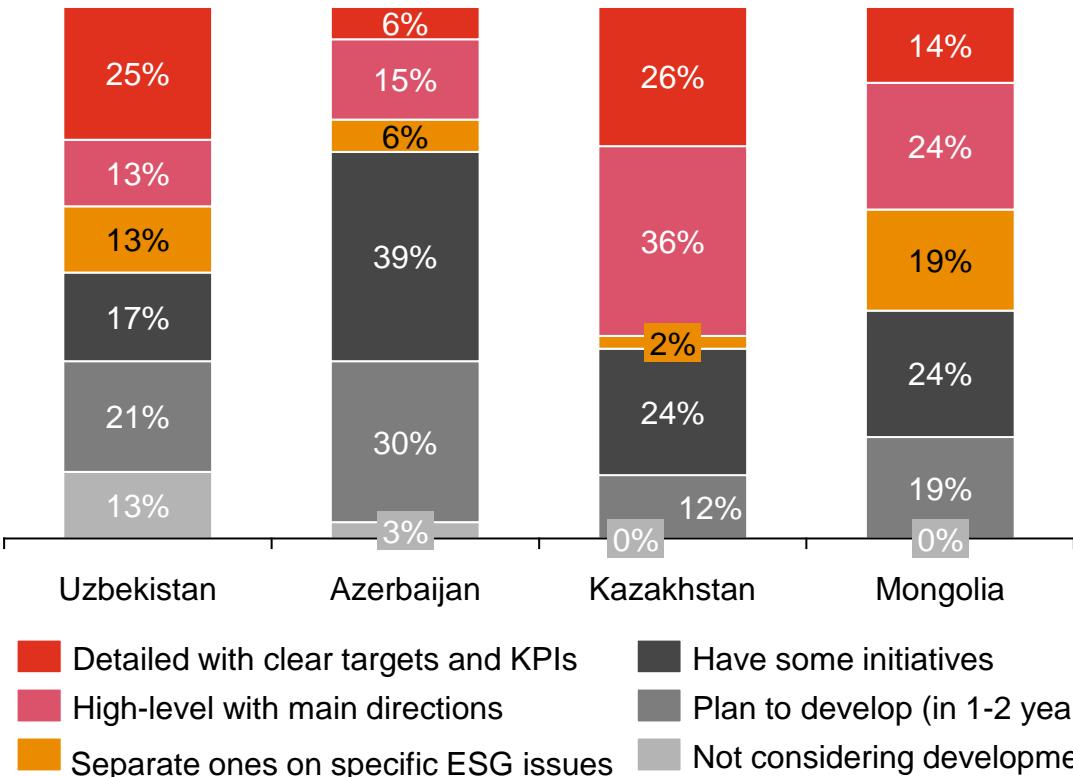
The implementation of ESG management systems or separate environmental and social policies highlights the necessity of having someone, either a designated individual or department, accountable for overseeing and driving these initiatives.

Our survey reveals of the organisational structure and commitment to ESG integration across different roles within companies in the Eurasian region. Leadership at both the board and management levels demonstrates a strong involvement, with over half of companies having leadership representation dedicated to ESG matters. Such a heavy leadership involvement in ESG stewardship indicates that sustainability considerations are integrated into the company's strategic planning and decision-making processes, reflecting a commitment to long-term vision and objectives.

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

Development and adoption of ESG strategies vary across firms and countries

Do companies have an approved ESG strategy?



Comments

As companies advance in ESG implementation, the importance of having an approved ESG strategy has become indispensable for organisational success. An established ESG strategy indicates a company's maturity in recognizing the importance of sustainable practices and its commitment to integrating these principles deeply within its business operations and decision-making processes.

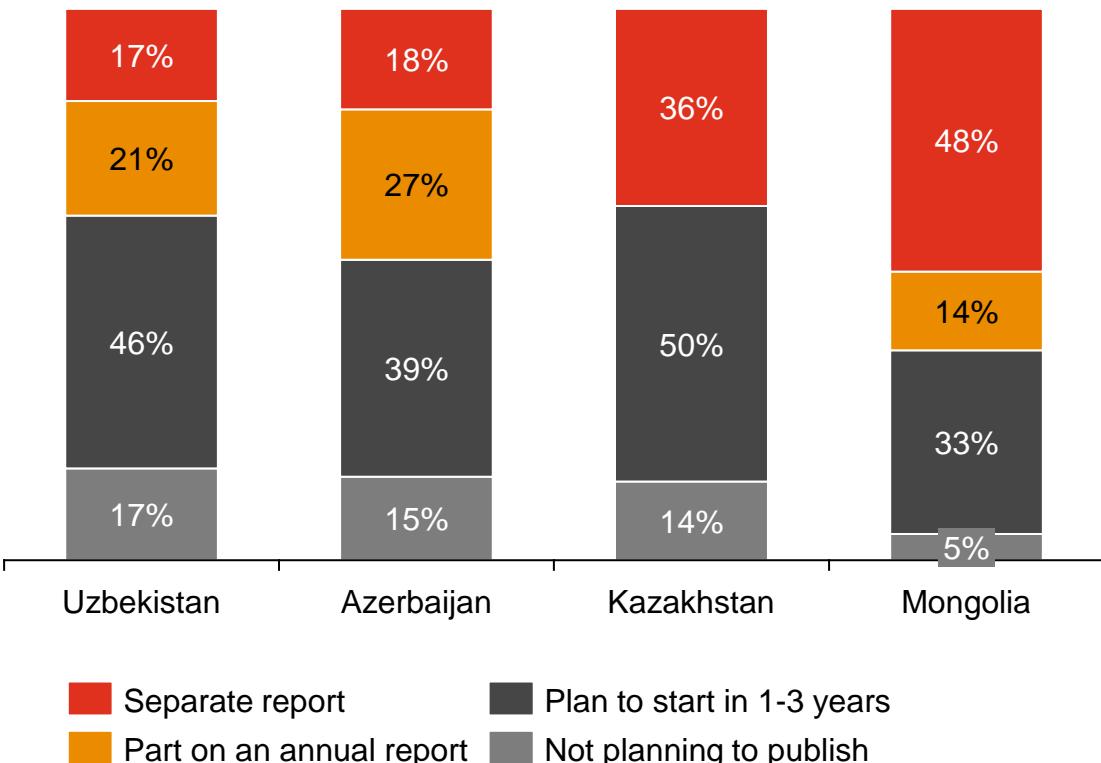
The survey results revealed varying rate of ESG strategy adoption among the companies in the region. The findings show that over 50% of surveyed companies in Kazakhstan, Uzbekistan and Mongolia have implemented ESG strategies but with varying degree of complexity.

Uzbekistan stands out with a notable proportion of companies opting for detailed approaches, while Kazakhstan leads in employing high-level strategies. Looking ahead, a considerable percentage of companies in Uzbekistan and Azerbaijan plan to further develop their ESG strategies within the next 1-2 years, reflecting an evolving landscape of corporate sustainability efforts in the region.

It is worth noting that the presence of a strategy does not correlate with the industry of operation.

Most companies in the Eurasia region report that they are already publishing ESG/CSR/Sustainability reports or plan to initiate them in the next 1-3 years

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



Comments

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

The examination of ESG reporting practices among companies in Eurasia regions sheds light on the evolving landscape of corporate transparency and accountability. In Uzbekistan and Azerbaijan, a substantial percentage of companies have embraced the practice of publishing external ESG/CSR/Sustainability reports or designated sections within their annual reports. In Kazakhstan and Mongolia, over 60% of surveyed companies publish either a separate ESG report or include a designated section in their annual report dedicated to ESG matters, likely influenced by regulatory guidelines introducing either voluntary or mandatory comprehensive ESG reporting and specific disclosure requirements.

However, the majority of companies in Uzbekistan, Azerbaijan and Mongolia still have room for improvement in this regard, with a significant portion either planning to commence ESG reporting within the next 1-3 years or not considering it at all.

3.3

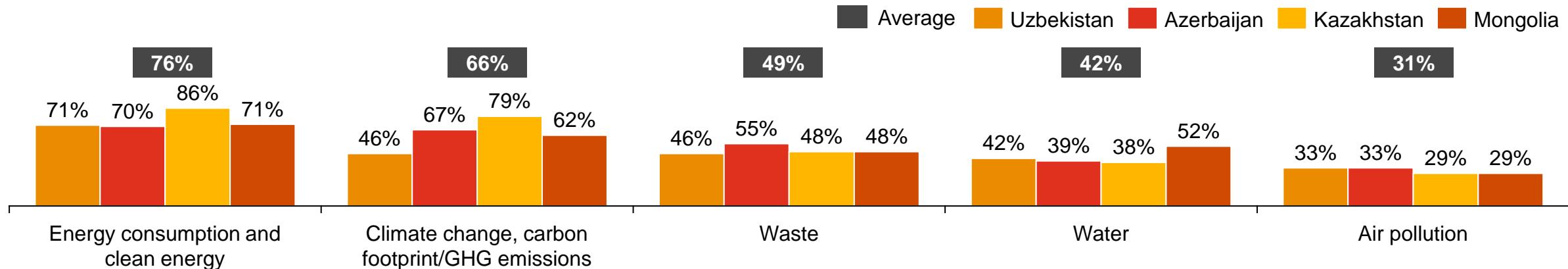


Top focus areas in ESG implementation



Respondents in all countries have emphasized climate change, sustainable energy consumption, waste management, water and air pollution as their primary areas of concern

Primary areas of concern in environmental aspects among Uzbekistan and other countries



Energy consumption and adoption of clean energy sources emerge as top priorities across all countries, with a significant majority of companies focusing on these aspects as their primary ESG area. This collective emphasis indicates companies' commitment to reducing environmental footprint and promoting renewable energy alternatives.

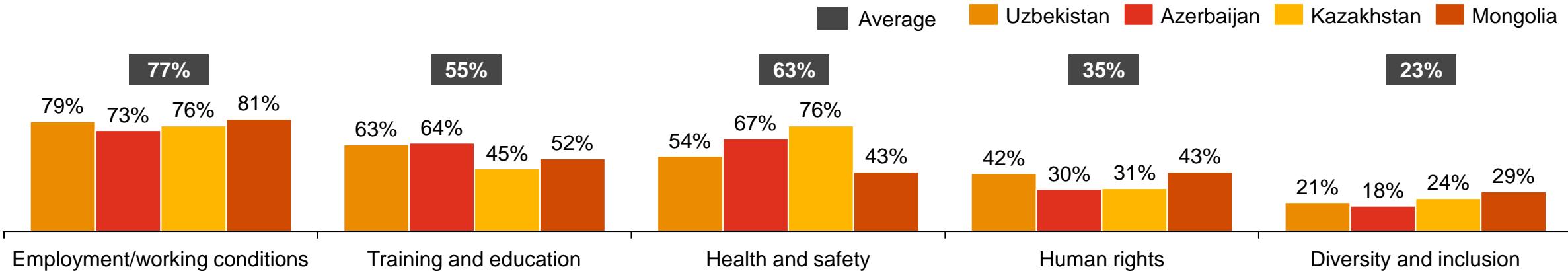
In addition, around 66% of companies have reported climate change and carbon footprint reduction as the company priority that reflects a recognition of the urgent need to mitigate the impacts of climate change and transition towards more sustainable business practices.

Waste management and water conservation emerge as one of key areas of focus, indicating a growing awareness of resource depletion and pollution challenges among companies in the region.

While there are variations in the degree of emphasis on specific environmental aspects among the countries, there is a shared commitment to integrating sustainability principles into business operations. As companies continue to prioritize these primary focus areas, they are expected to contribute meaningfully to environmental sustainability efforts and drive positive change within their respective industries and communities.

The key social aspects of Uzbekistan and Eurasia region revolve around employment conditions, health and safety as well as training and education

Primary areas of focus in social aspects among Uzbekistan and other countries



Our survey highlights the social aspects that companies in Uzbekistan, Azerbaijan, Kazakhstan and Mongolia prioritize within their ESG strategies. The social dimension of a business addresses people-related aspects such as company culture and human capital, crucial for reflecting a company's societal impact and ethical standards, which now significantly influence investment decisions and consumer behavior.

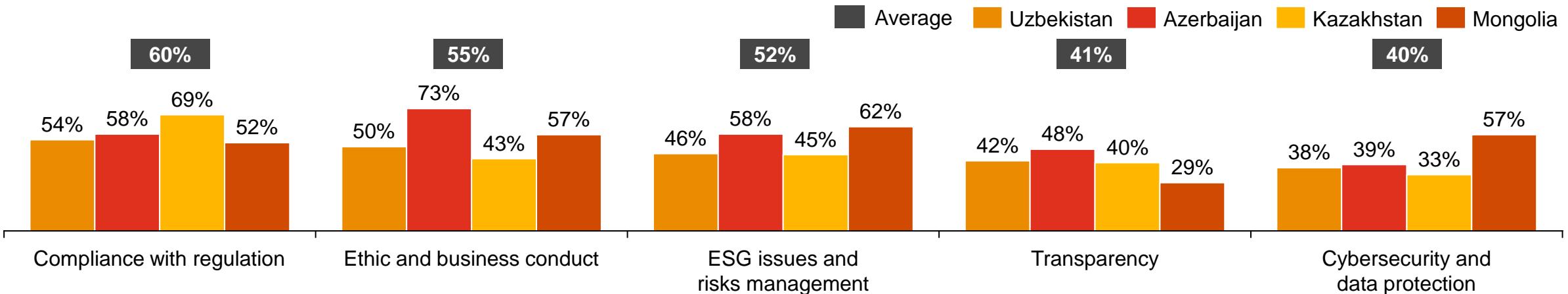
Our survey highlighted employment conditions, health and safety, and training and education as the primary areas of focus within the social dimension, emphasizing their importance in fostering a resilient and sustainable workforce.

Companies in Kazakhstan and Mongolia exhibit a stronger emphasis on supporting local communities (33% and 24% correspondingly) compared to Uzbekistan (8%) and Azerbaijan (24%).

Companies appear to show limited support of crucial social issues such as diversity and inclusion, customer safety and none of the companies have chosen supply chain assessment as a priority area. However, there is a global trend towards implementing stricter regulations in these areas, as evidenced by initiatives like the EU Corporate Sustainability Due Diligence Directive.

The primary governance elements in Uzbekistan and the Eurasia region focus on compliance, ESG and risk management and business conduct

Primary areas of focus in governance among Uzbekistan and other countries



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

Our survey has identified compliance, ESG and risk management and business conduct as universally acknowledged top priorities. These aspects are crucial for establishing a resilient and trustworthy corporate framework.

However, there is a significant difference in the level of focus on bribery and corruption. While 48% of companies in Kazakhstan are attentive to this matter,

the percentages are significantly lower in Azerbaijan, Mongolia and Uzbekistan. Another distinction is that around 8% of companies in Uzbekistan do not prioritize any governance areas.

Businesses in Eurasia region typically grasp essential governance issues, yet they frequently neglect critical areas such as shareholder rights and board diversity. These aspects are not only regularly considered in ESG rating criteria and reporting guidelines but also play a vital role in a company's overall and sustainability-related performance.

Financial performance, brand quality and innovation stand out as the foremost priorities for top management across surveyed companies in Uzbekistan and other countries

Key focus areas of top management among Uzbekistan and other countries



Financial performance emerges as the top priority for a majority of companies in Uzbekistan, with 58% of surveyed companies indicating its importance. This underscores the emphasis placed on financial stability and profitability by Uzbekistani top management.

Brand and quality are significant priorities, reflecting a commitment to maintaining a strong brand reputation and delivering high-quality products or services to customers.

Innovation is recognized as a key priority, highlighting the importance of driving creativity and adaptability within organisations.

While the priorities vary across countries, with Kazakhstan showing a relatively stronger focus on financial performance and innovation than its peers and Azerbaijan emphasizing client satisfaction, there is a common trend of prioritizing financial stability and customer-centric approaches among other companies.

The areas such as diversity and inclusion, talent development and making a positive societal impact are currently perceived as being of relatively lower importance according to the respondents.

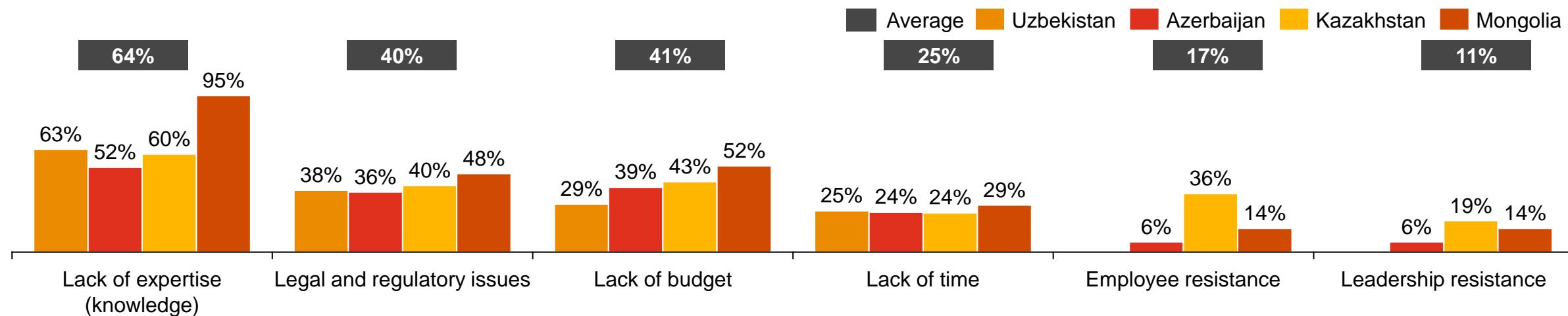
3.4

Organizational Implementation of ESG



Majority of respondents in Uzbekistan acknowledge that the main barriers for implementing ESG initiatives are lack of knowledge, regulatory issues and lack of budget

Challenges that companies faced when implementing ESG initiatives/projects/programs



Companies in our survey, like those around the globe, encountered substantial difficulties in navigating the complexities of ESG agenda implementation. The primary challenges faced by companies include a lack of expertise, constrained budgets and legal and regulatory concerns.

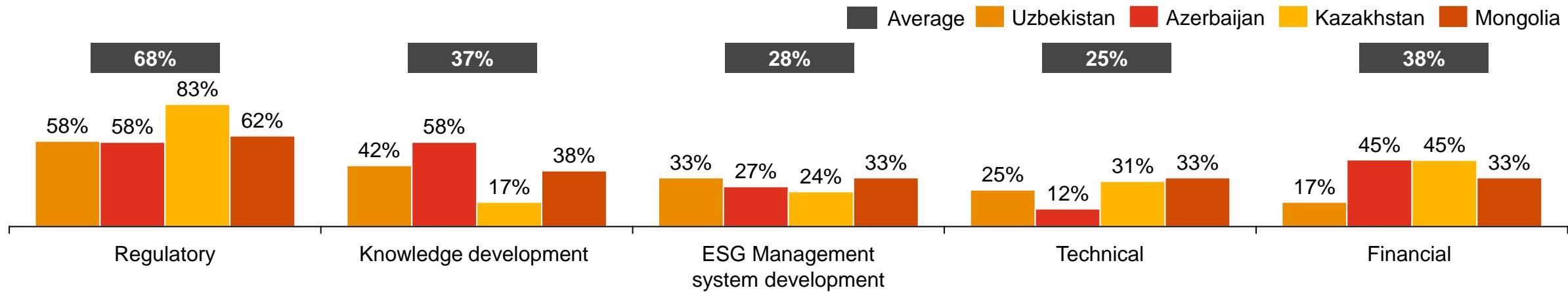
Despite active promotion of ESG principles, numerous organisations, both domestically and globally, possess only a rudimentary grasp of sustainability concepts and face challenges in implementing them successfully. Budget constraints are acknowledged as an obstacle, as many companies view ESG

integration as an extra expense rather than an integral component of financial performance. In Uzbekistan, a significant majority of companies identify a lack of expertise or knowledge as the primary hurdle, with 63% of companies citing this challenge.

A larger percentage of companies in Kazakhstan encounter employee and leadership resistance due to ongoing regulatory changes and inadequate internal communication within organisations, whereas organisations in Uzbekistan do not perceive this as a barrier.

Regulatory and knowledge development support are deemed necessary to facilitate the implementation of an ESG strategy of the surveyed companies in Uzbekistan

Support required by organisations in facilitating the execution of the ESG strategy



Our survey also investigated the types of support needed to address challenges identified earlier. Regulatory support emerges as a key requirement, with a majority of companies in Eurasia region expressing the need for regulatory frameworks that incentivize and support ESG initiatives.

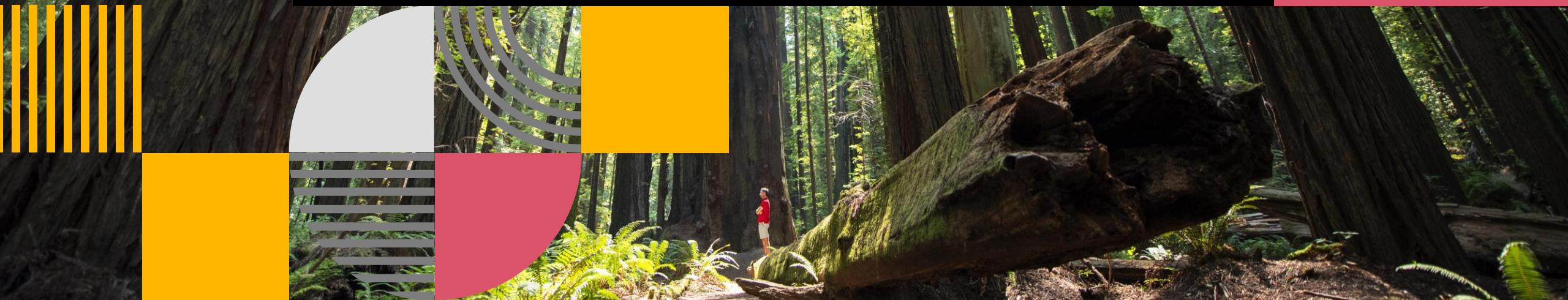
While initial actions, like implementing sustainability disclosures, demonstrate potential, realizing more extensive sustainable development objectives requires significant financial commitment. In Kazakhstan and Azerbaijan 45% of companies require financial support for facilitating and executing of the ESG strategy, compared to 17% in Uzbekistan.

Furthermore, companies identify technical support, ESG management system development and knowledge enhancement as critical requirements.

Knowledge development is identified as a critical area of support by companies in Uzbekistan and Azerbaijan, emphasizing the importance of capacity-building initiatives to enhance understanding and proficiency in ESG principles and practices.

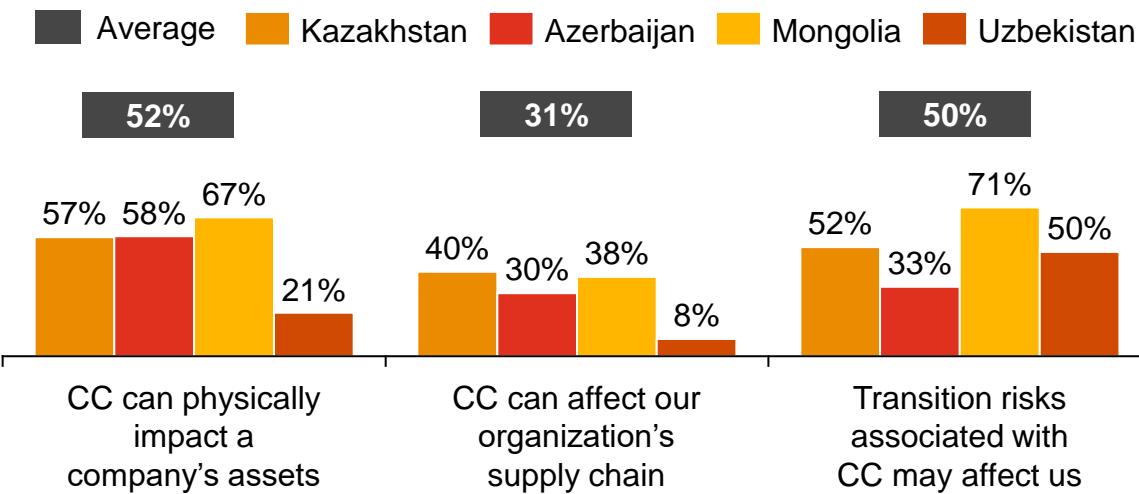
3.5

Climate change



A considerable share of respondents noted that climate change can either physically affect company's assets, or affect organization's supply chain, or risks associated with transition may significantly affect the bottom line of companies

The effects of climate change on business operations



Comments

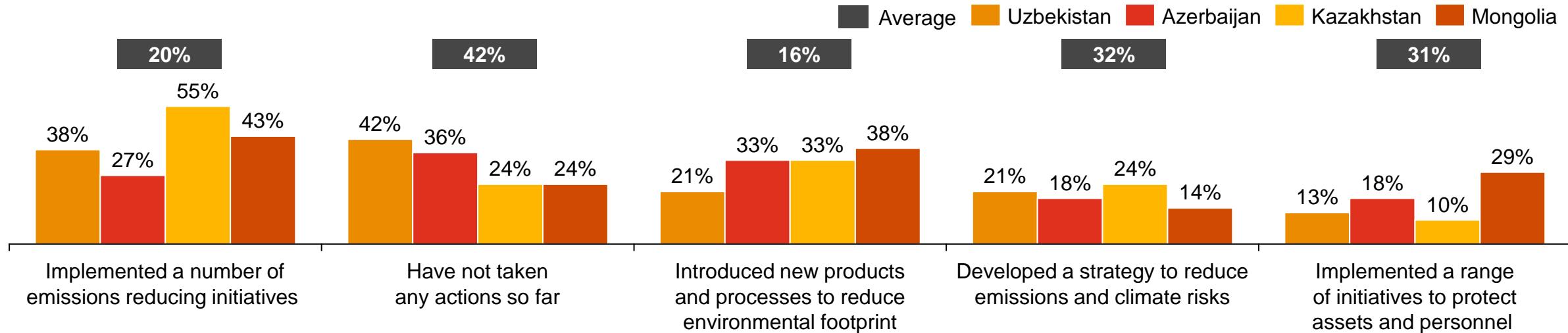
The survey shows that companies across the region differentiate between physical and transitional risks associated with climate change. Transition risks arise from changes in government policies, innovation and technologies (i.e., technologies that make renewable energies cheaper or allow for the removal of atmospheric greenhouse gas emissions), or investor and consumer sentiment (e.g., a desire to divest of certain assets). Both physical and transition risks pose uncertainty about the future pathways for net-zero transition, which will potentially lead to adverse economic impacts.

The data illustrates the perceptions of companies in Uzbekistan regarding potential impacts of climate change on their business operations. While a notable portion of companies in Uzbekistan recognize the physical risks associated with climate change affecting their assets, the percentage is comparatively lower than that of other surveyed countries. However, it is evident that Uzbekistani companies express concerns about the potential effects of climate change on their supply chain, albeit to a lesser extent compared to surveyed countries.

Moreover, transition risks associated with climate change are viewed as a significant concern by half of the companies in Uzbekistan, highlighting the importance of addressing climate-related risks in transportation and logistics sectors. These findings underscore the need for Uzbekistani companies to further assess and mitigate climate change risks to ensure resilience and sustainability in their business operations.

In Eurasia region, ~42% of companies have not taken any organisational action related to climate risks mitigation

Organisational actions taken towards climate change risk mitigation



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

The results reveal a mixed landscape: while a larger proportion of surveyed companies are taking steps to reduce emissions and minimize their environmental impact, only 21% have developed strategies specifically aimed at reducing emissions and addressing climate risks.

However, having a clear strategy is important because it helps companies identify key issues and plan actions effectively. Without a strategy, initiatives may not be as effective and, in some cases, could lead to a waste of resources.

At the same time, many companies—including 42% in Uzbekistan, 36% in Azerbaijan, and 24% in Kazakhstan and Mongolia—remain inactive regarding climate change risks, emphasizing the need for increased awareness and proactive measures in this field.

4

Conclusions



Conclusion

The findings of this report reveal a growing relevance of the ESG agenda across the Eurasian region. The majority of companies acknowledge the importance of ESG factors, with awareness levels ranging from 67% to 97%, and anticipate their continued relevance over time.

However, according to the results, the implementation of ESG strategies varies significantly, smaller number of companies having developed comprehensive ESG strategies and starting implementation of mitigation and adaptation measures. Leadership teams primarily handle ESG matters, which emphasizes direct involvement and strategic vision, but also presents implementation challenges.

Identified discrepancies in the maturity of ESG practices suggest varying levels of engagement and initial starting points across the region. Key challenges include a gap between recognizing environmental issues, such as climate risks and implementing effective mitigation strategies. Social factors like employment practices are well recognised, yet significant area of diversity and inclusion is less emphasized.

The evidence suggest that companies are committed to develop ESG agenda further. However, certain challenges, such as lack of experience, budget and regulatory aspects, persist.

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

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

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

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

This study was prepared by a team comprising of:

Saniya Begenova, Ziyodullo Parpiev,
Yelena Krupina, Danna Tyo, Alisher
Suyunov, Arletta Isaeva, Usman Narziev,
Arnur Sabet

PwC contacts:



Abdulkhamid Muminov

Country Managing Partner,
abdulkhamid.m.muminov@pwc.com

Please send your questions and enquiries on the study to:



Ziyodullo Parpiev
Manager
ESG Advisory Team
ziyodullo.parpiev@pwc.com



PwC Offices in Eurasia

Kazakhstan

Almaty
34, Al-Farabi Avenue

Astana

15/1, Kabanbay Batyr Avenue

Atyrau

55, Aiteke Bi Street
Tel: +7 (727) 330 3200

Azerbaijan

Baku
90A, Nizami Street
Tel: +994 12 497 2515

Mongolia

Ulaanbaatar
Sukhbaatar Square 2, SBD-8
Tel: +976 7000 9089

Uzbekistan

Tashkent
88A, Mustaqillik Avenue
Tel: +998 (71) 120 6101

Georgia

Tbilisi
12, Aleksidze Street
Tel: +995 (32) 25080 50