

Sustainable finance Go-to-Market

Green bonds

PwC Kazakhstan

March 2024



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PwC Global Network and
PwC Kazakhstan ESG Team



Present and Future Trends



Support in Green Bonds Issuance



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Introduction

Sustainable finance is a rapidly growing and evolving field that aims to align financial activities with environmental, social and governance (ESG) goals, such as mitigating climate change, promoting social inclusion and enhancing corporate responsibility.

Sustainable finance can take place both through debt instruments (e.g. Green / Social bonds, but also ordinary loans that have ESG elements), as well as through equity instruments (Sustainable investing). These instruments can be approached from the perspective of both the issuer and the investor.

Sustainable financial instruments are gaining popularity, but green and sustainable bonds remain at the forefront of the green finance market due to their scale and accessibility to a wide range of investors.

PwC provides a wide range of ESG services, including the implementation of sustainable finance projects. Through membership in the PwC global network, we have access to the extensive experience and extensive network of our firms' business relationships.

In the following sections we will explain how our team can fully support our clients in the process of issuing green bonds, ensuring that all stages comply with international standards for sustainable finance.

A definition:

"Sustainable finance refers to the process of taking environmental, social and governance (ESG) considerations into account when making investment decisions in the financial sector, leading to more long-term investments in sustainable economic activities and projects."

https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance_en





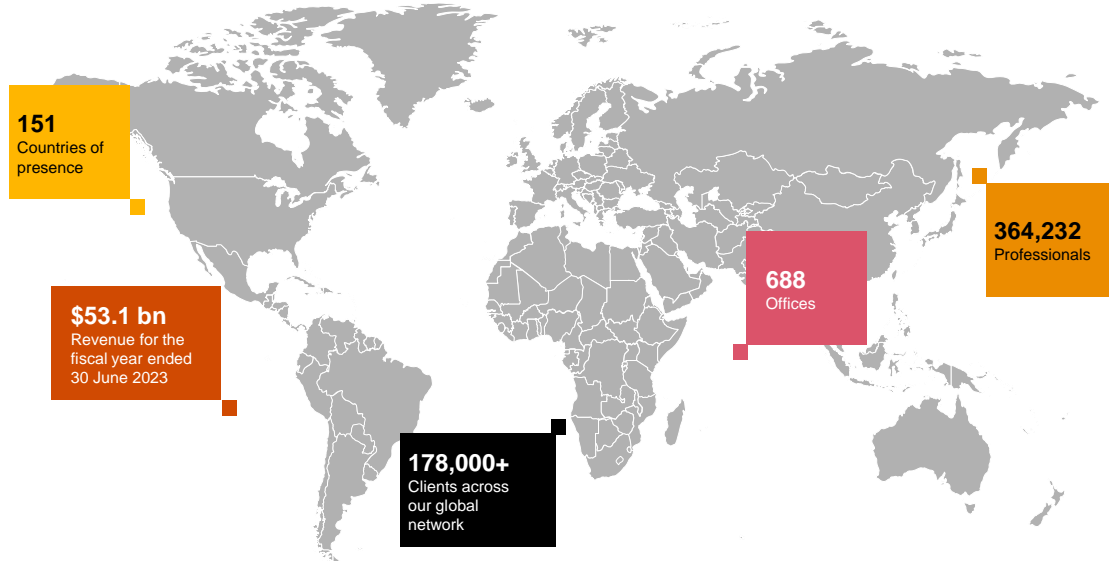
PwC Global Network and PwC Kazakhstan ESG Team



An extensive global network and an individual approach to each client allow PwC to expand its market presence across different geographies and industries

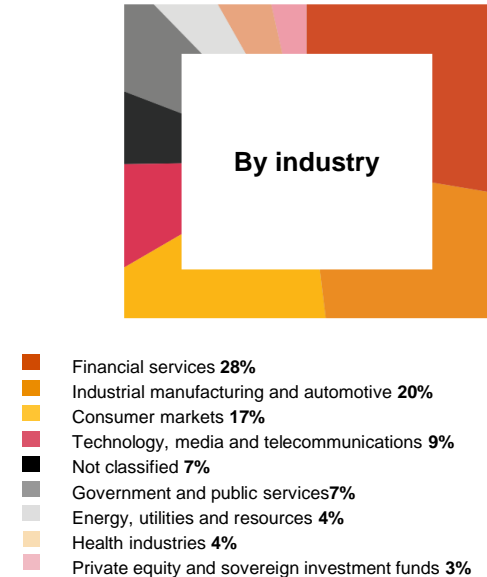
PwC globally:

PwC is structured as a network of member firms, operating locally in countries around the world and connected through membership to PwC International Limited (PwC IL). This network structure provides the PwC firms with the flexibility to operate both as local and global businesses, combining a deep understanding of local markets with an opportunity to share knowledge, skills, and resources globally.



Our clients:

The expertise and reach of the PwC network allows us to provide consistent quality services around the world and work with a wide range of clients. 87% of Fortune Global 500 companies are PwC clients.



Our organizational structure allows us to share the best available resources and have access to in-depth expertise across the entire PwC network

PwC Kazakhstan and PwC Eurasia

PwC Kazakhstan is a member of PwC IL network. The benefit brought by this structure is that we share the best available resources and have access to in-depth expertise and a wide network of business contacts across our network of firms.

From our offices strategically located in Kazakhstan, Uzbekistan, Azerbaijan, Georgia, Armenia, Kyrgyzstan, Turkmenistan and Mongolia we provide a range of professional assurance, tax, legal and business advisory services to Governments, State Owned Entities, NGOs and leading global and national companies. This helped us deeply understand the region's business environment and understand the challenges it still faces in terms of economic development.

PwC in Eurasia



* - number of clients is for PwC Kazakhstan only

ESG Consulting

At PwC, we believe that incorporating ESG considerations into our services is not just the right thing to do, but it is also essential for long-term business success.

The ESG team in Kazakhstan includes sustainability experts with specialized expertise, including environmental, sustainable finance, social policy, corporate governance and reporting. The team works on a wide range of projects in the field of environmental protection and decarbonization, ESG strategy, Green Finance, etc. The team regularly publishes leading research and publications in ESG reporting and renewable energy studies, manages the ESG Disclosure Rating in Kazakhstan, as well as actively supports the development of green finance in the country via its collaboration with the financial regulator and KASE (Kazakhstan Stock Exchange).

Our ESG services



ESG strategy development



Green financial products



Net Zero strategy development



Climate risks evaluation and climate scenarios development



Supply chain due diligence



ESG Digital Solutions



ESG Management system introduction



ESG reporting

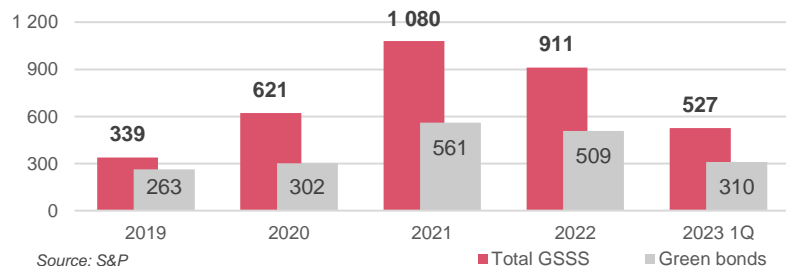
Present and Future Trends



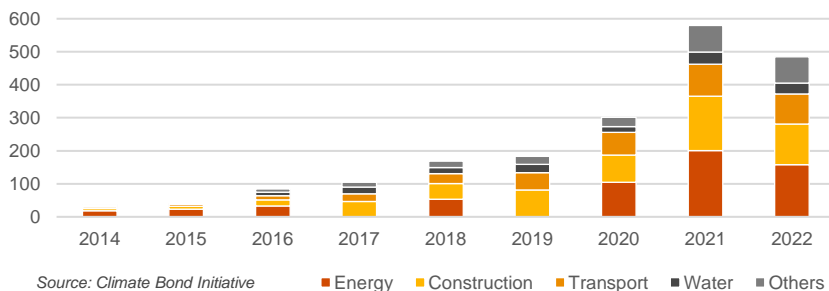
Present and Future Trends

Green Bonds Landscape

Volume of GSSS* bonds issued in the world and share of green bonds, billion US dollars



Issuance of green bonds in the world, based on the use of proceeds, billion US dollars



Note: The discrepancy in green bonds volumes between the two charts is due to differences in the calculation methodologies of S&P and the Climate Bond Initiative.

Strong political support contributes to the rapid growth of sustainable local and international markets.

According to the Climate Bond Initiative, in Q3 2023, the total volume of GSSS* reached \$4.2 trillion, of which \$2.6 trillion was green bonds.

Since the World Bank first issued green bonds in 2009, the market experienced its first downturn in February 2022. Russia's invasion of Ukraine and the ensuing energy crisis, rising inflation and rising interest rates have led to a 24% decline in GSSS issuance and a 16% decline in green bond issuance compared to 2021.

S&P expects green bonds to continue to dominate the GSSS market by the end of 2023, based on the record levels of issuance in the first half of the year**.

Energy, construction and transport are the largest sectors for the use of green finance proceeds. In 2022, they accounted for 77% of total green bonds issued (2021: 80%).

Europe will remain the leading region for green bonds issuance. From 2014 to 2022, Europe accounted for 46% of the total volume of green bonds issued, while the Asia-Pacific region accounted for 24%.

* GSSS – Green, Social, Sustainability, and Sustainability-Linked Bonds

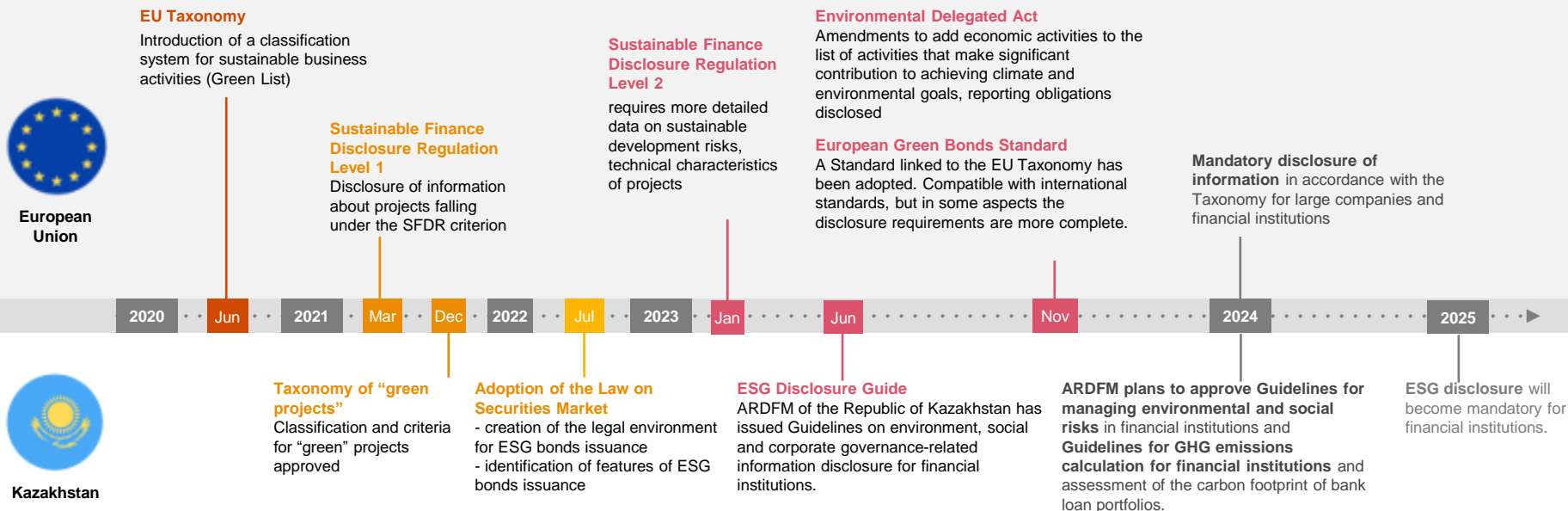
** The S&P forecast is based on 2023 global GSSS issuance data for 9 months of 2023.

Sources: Climate Bond Initiative, S&P

Present and Future Trends

Overview of Regulatory Requirements

- **European Union, as the main driver of the climate agenda in the world, also sets trends in sustainable financing.** EU regulations such as the European Green Bond Standard and the EU Taxonomy for Sustainable Activities aim to ensure greater consistency between sustainable investment standards and green bond issuance, and to reduce the risk of greenwashing.
- **Regulatory documents adopted by the EU become a benchmark for the rest of the world, including Kazakhstan.**



Present and Future Trends

Market Snapshot

What we see in the green market today?

Challenges

- Need for further development of regulations in Kazakhstan and in the Eurasian region
- Differences in existing sustainable bond systems and standards
- Data and reporting gap
- Fear of greenwashing or being accused of greenwashing
- Challenge to set ESG related KPIs and metrics

Opportunities

- Interest from investors and government / municipal institutions
- The impact of commitments to achieve carbon neutrality, of the European Green Deal

What's next?

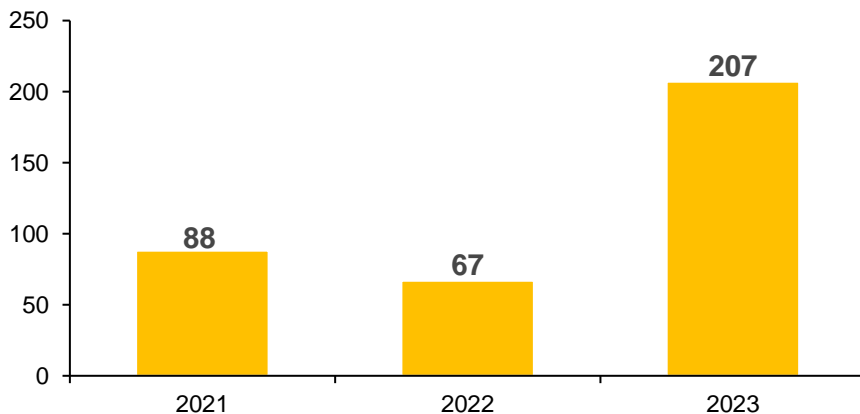
What we expect for 2024

- Adoption of green taxonomy and other regulatory documents in the countries of Eurasian region
- Adoption of ESG regulatory documents for financial institutions
- Increase in non-financial information disclosure
- More attention for new bonds as opposed to refinancing or conversion of existing bonds

Present and Future Trends

Green Bonds in Kazakhstan– Market Snapshot

Volume of ESG Bonds,
In bn KZT



Source: The Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market

- Kazakhstan's policy to achieve carbon neutrality contributes to the development of the sustainable finance market in the country.
- According to the Kazakhstan's Strategy on Achieving Carbon Neutrality by 2060, net required investment in low-carbon technologies to achieve carbon neutrality in Kazakhstan is estimated at \$610 billion. The investment need until 2030 is \$10 billion. The remaining \$600 billion will be invested by the end of 2060. Green finance will be one of the main tools to achieve this goal.
- The main issuers of green bonds in Kazakhstan are development banks - ADB, DBK and EDB. State-owned companies in the energy sector were the first to issue their bonds - 53 billion tenge in 2021.
- Rising inflation and the geopolitical tension, which influenced the world market, also had an impact on the market in Kazakhstan. In particular, green bond issuance fell by 25% in 2022.
- Due to the development of legislation and the application of ESG principles in the financial market of Kazakhstan, an increase in the volume of ESG bond issuance is observed in 2023.
- In 2023, private companies in different sectors of the economy began to place green bonds (for example: biotechnology - 2 billion tenge, electric scooters - 3 billion tenge), their share amounted to 14% of the total volume of issued green bonds.

Sources: PwC Analysis, KASE, AIX, Strategy on Achieving Carbon Neutrality by 2060, ARDFM

Present and Future Trends

Green Bonds Examples

Examples of green bond issuance in Kazakhstan

- The Asian Development Bank (ADB) has issued green bonds on KASE, which are aimed at financing climate change adaptation (mitigation) projects in Kazakhstan.
- Damu Entrepreneurship Development Fund has placed “green” bonds on AIX - the funds will be allocated to small-scale renewable energy investment projects in small and medium-sized businesses.
- Green and social bonds were also issued by the Eurasian Development Bank (EDB), aimed at financing ESG projects in Kazakhstan. Green bonds were listed on KASE, while social bonds were listed on KASE and AIX.
- Jet Group Ltd has issued green bonds to finance an electric scooter rental project.
- Black Biotechnology LLP placed green bonds on KASE for the construction of a plant for the production of innovative biofeed additives and fertilizers for the development of organic agriculture.



Examples of green bond issues in the Eurasian Region

- In October 2023, Uzbekistan placed the first green sovereign Eurobonds worth 4.25 trillion soms on the London Stock Exchange. These bonds are the first green sovereign bonds in the CIS region.
- In June 2023, in Kyrgyzstan, Dos Credobank OJSC placed the first green bonds worth 85 million soms.
- In 2021, Georgian Railway placed green bonds worth \$500 million on the London Stock Exchange to refinance previously placed Eurobonds. As a result of refinancing, an interest rate was 4% instead of 7.75%. The company was able to reduce annual payments from approximately \$40 million to \$20 million per year. The money saved were used for the company development.



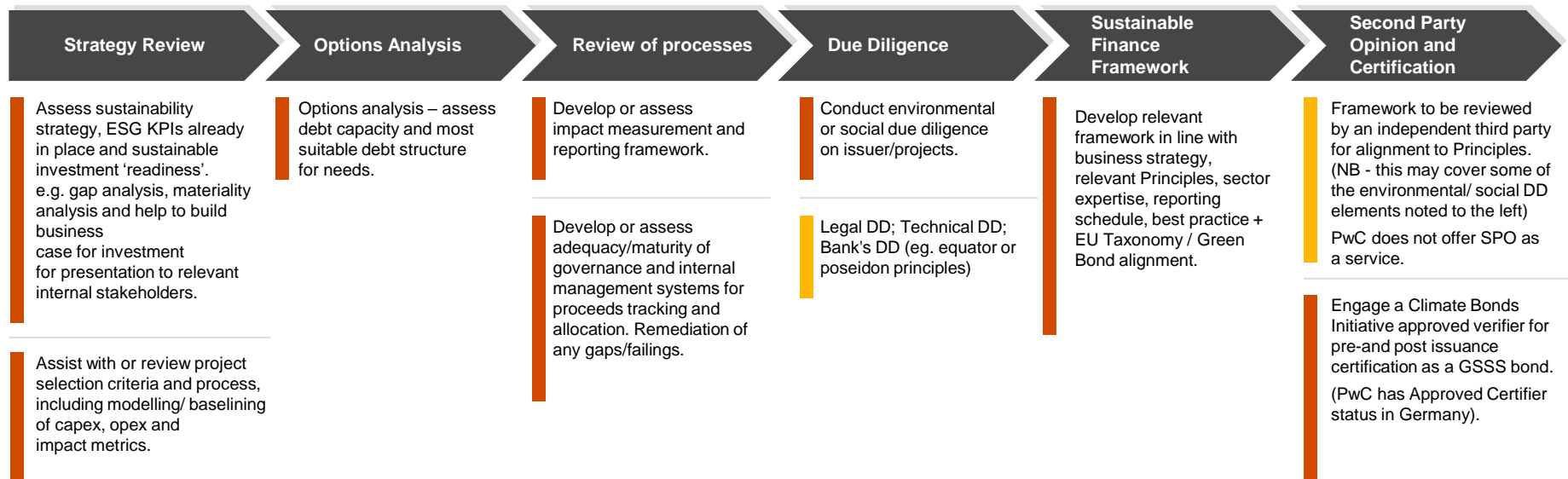
Support in Green Bonds Issuance



Green Bonds : Step-by-step overview (1/3)

Pre-issuance Assessment and Support

What?



Who?



Green Bonds : Step-by-step overview (2/3)

Bonds Arrangement

What?

Investor engagement

Prepare information memorandum and organise investor meetings.

Documentation

Incorporate financial / structural characteristics in the bond prospectus or offering memorandum.

Legal documentation is prepared to be ready in time for placement.

Rating analysis

Recommend appropriate rating agencies. Assist with preparation of rating agency presentation. Support navigating rating agencies and rating process.

Receive rating from rating agency.

Climate Bonds Initiative verified certifier engagement

Investor roadshow

Promote bond issue and support investor presentations. Assess appetite, gauge price range and maturity.

Execution

Issuance launch, active book building, refine pricing, investor allocation, placement of issuance and market communication. Support of issuance in secondary trading.

Who?

PwC

Third
Party

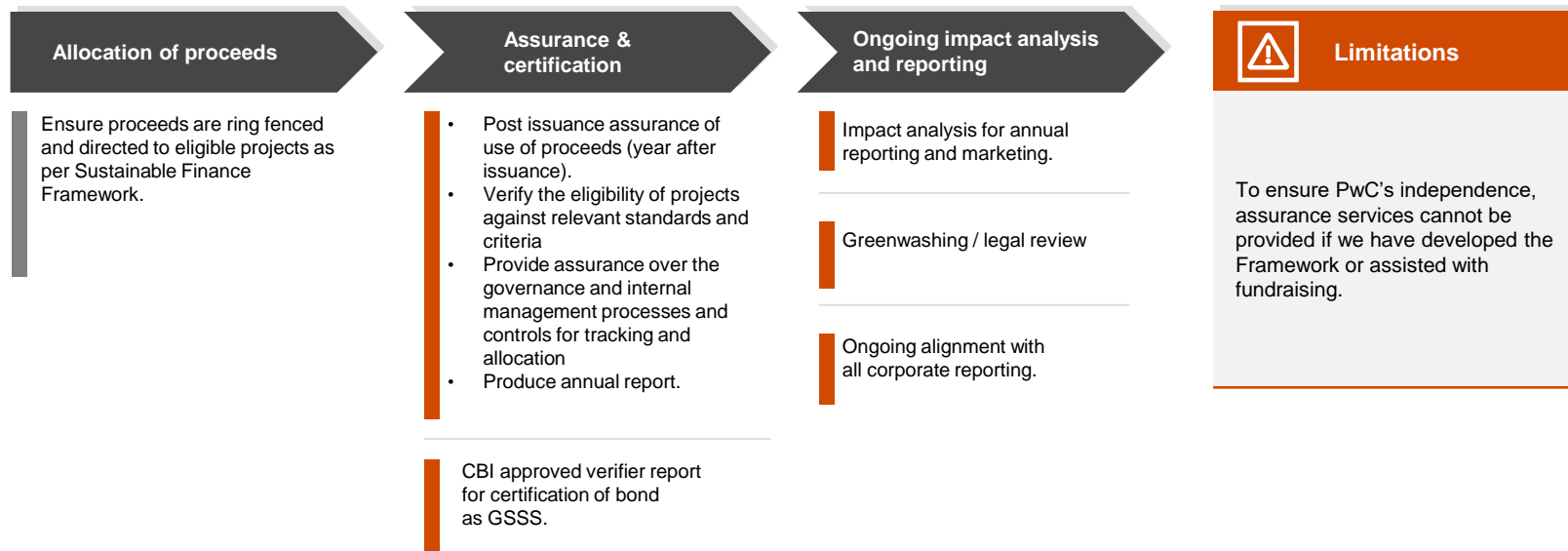
Bank

Issuer

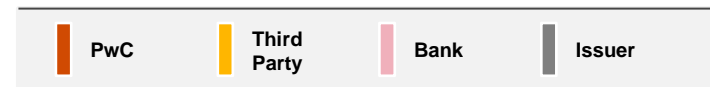
Green Bonds : Step-by-step overview (3/3)

Post-issuance and ongoing reporting

What?



Who?





PwC Credentials



Our Selected Experience

in Green Bonds

Description of services

A multi-step engagement involving a combination of pre-issuance green bond services (1), followed by issuance services (2 and 3) and finally post-issuance verification services (4).

- 1** Support in the development of the green bonds concept
- 2** Assistance in selecting verifiers and other service providers – as necessary
- 3** Help set up use of proceeds and impact analysis reporting processes
- 4** Post-issuance green bonds verification services

Examples of PwC ongoing projects

1. BioTech Company

The company aggressively and innovatively promotes waste reduction and decarbonization in food production, alternative proteins and clean energy.

At the moment, the project is at the first stage - "Support in the development of sustainable development concept."

2. Technology Company

The Company's goal is to contribute to water and wastewater treatment and recycling projects related to environmentally sustainable management of natural resources and land use.

At the moment, the project is at the first stage - "Support in the development of sustainable development concept."

The concepts developed at the 1st stage of the services provided will determine the distribution of potentially raised funding. These funds will be used to finance or refinance new or existing projects that contribute to a positive environmental impact.

PwC Credentials

Experience in ESG Projects

Development of a national taxonomy of sustainable finance for the Government of Georgia

Georgia

The PwC project team:

- Contributed to the definition of economic activities included in the Taxonomy of Sustainable Finance.
- Assisted the National Bank of Georgia to determine regulatory and disclosure requirements for financial institutions to comply with and report green loans and investments under the Taxonomy.
- Developed a taxonomy classification and disclosure tool

Project to support the Government of Armenia in expanding the scale of green financing

Armenia

PwC's work covered the following components:

- Review of current green finance practices and regulatory frameworks to identify barriers and enabling conditions for the implementation of green finance principles.
- Mapping key green instruments.
- Review of best international practices in the development of green financial instruments.
- Development of recommendations to improve regulation.

Supporting the implementation of the EU taxonomy and green loans for a systemically important bank under the direct supervision of the ECB

Lithuania

PwC supported the client in adapting to the new taxonomy statement and related disclosure requirements. PwC's work consisted of the following stages:

- Prioritization of lending activities
- Green loan underwriting process
- Green loan documentation
- Pilot development of green loan
- Information disclosure according to the Taxonomy

Increasing energy efficiency and expanding the use of solar energy in public buildings.

Uzbekistan

PwC supported the Government of Uzbekistan and the World Bank in developing and scaling up the implementation of energy efficiency (EE). PwC's work consisted of the following stages:

- Assessment of the potential and need for investments in energy efficiency of public buildings in Uzbekistan.
- Analysis of solar and EE markets, as well as of legal and regulatory frameworks.
- Development of sustainable financing mechanism for EE and solar investments in the public buildings sector in Uzbekistan.

PwC Kazakhstan holds events to study the implementation of sustainable projects, including their financing

"Green Finance: Development, Challenges and Opportunities in Eurasia" Conference

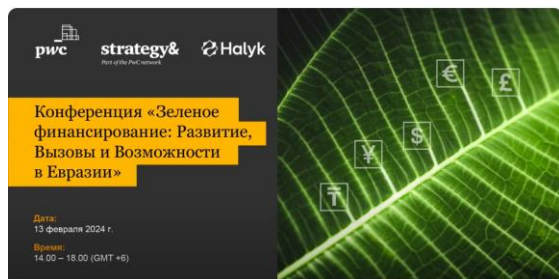
Key players of the financial sector, whose efforts are developing innovative green finance to ensure sustainable economic growth and achieve Kazakhstan's goal of carbon neutrality by 2060, as well as international experts, presented at the conference organized by Strategy& (part of the global PwC network) in partnership with Halyk Bank. The speakers of the Conference were representatives of the following organizations: EBRD, Asian Development Bank, KASE, Development Bank of Kazakhstan, AIFC, Halyk Bank, Citi, JP Morgan, IFC, MUFG, Strategy&.

"Green Finance and the Debt Capital Market" Conference

The international approach and trends and development of Kazakhstani practice in the field of sustainable finance were discussed at an expert conference, which was organized by PwC Kazakhstan in partnership with Halyk Bank and KASE. The speakers of the Conference were European experts on green finance from PwC and Strategy&; Halyk Bank, KASE, VTB Capital, Citi, JP Morgan.

"ESG reporting and investor perspective" Conference

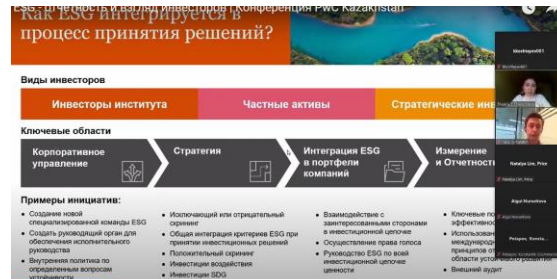
During the conference, we presented the results of the ESG Disclosure Rating and our assessment of ESG reports of Kazakhstani companies, discussed changing reporting standards, and awarded the best companies. We also discussed investor expectations, the perspective of exchange regulators, and approaches to rating ESG factors. In addition to PwC experts, experts from IFC, KASE and S&P Global Ratings presented at the conference.



Recording is available [here](#)



Recording is available [here](#)



Recording is available [here](#)

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