KPMG

Kazakhstan's Banks and ESG Risks: Progress Toward Global Standards



Survey Insights for Kazakh Banks

–

October 2025

Foreword



“For many Kazakh banks, ESG remains rooted in compliance. But for the leaders, it is fast becoming the decisive factor for resilience and competitiveness. Those that embed transparency and accountability will build the trust needed to succeed.”

– Gabit Musrepov, Partner, KPMG Caucasus and Central Asia

Why This Matters

Kazakhstan’s financial sector is at a turning point. Regulators, investors, and customers are raising expectations around ESG integration, while global standards reshape how banks define and manage risk.

For local institutions, this is not just about compliance – it is about credibility in a rapidly changing financial landscape.

About This Study

This report is based on insights from 111 institutions across 19 countries, with a focus on the practices and perspectives of Kazakhstani banks. It highlights both areas of progress and the challenges that remain.

The study aims to support banks in navigating regulatory change, strengthening governance, and positioning themselves competitively on the global stage.

© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Contents

01	Background & Introduction	p. 4
02	Key Observations	p. 7
03	How KPMG can help	p. 19

© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Background & Introduction



© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

111 institutions across 19 countries shared perspectives on ESG risk

Background

- ESG risks remain high on the agenda, reinforced by the EU's omnibus package and heightened political uncertainty
- To capture the evolving market landscape, KPMG continues its international benchmark survey − now in its fifth edition, spanning 2020 to 2025 (excluding 2021)
- This 2025 edition of KPMG's survey spans 111 institutions across 19 countries, capturing perspectives on regulation, market sentiment, and disclosure
- Coverage includes business strategy, risk management, stress testing, and a special focus on CSRD, greenwashing, and biodiversity
- The sample represents anonymized data from institutions of different sizes and business models, as shown below

All Participants

111 institutions | 19 countries | 39 SIs[1] | 13 NZBA[2] members



Assets (USD bn)us	Sectorial	Retail	Corporate/Wholesale	Universal	Investment	Other
> 1,000	–	–	4%	–	–	–
201–1,000	–	–	2%	6%	–	3%
31–200	**7%**	**7%**	**6%**	**13%**	1%	4%
10–30	–	**7%**	4%	6%	**2%**	**5%**
< 10	1%	5%	4%	7%	**2%**	3%

1 SIs (Significant Institutions): EU institutions directly supervised by the European Central Bank
2 NZBA (Net Zero Banking Alliance): Global member-led initiative supporting banks to lead on climate mitigation in line with the goals of the Paris Agreement

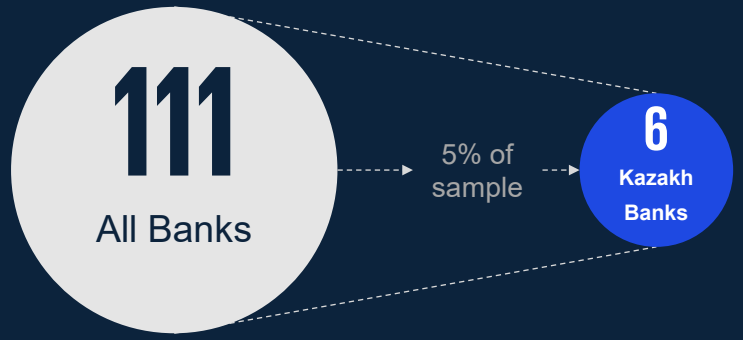
KPMG

© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Public

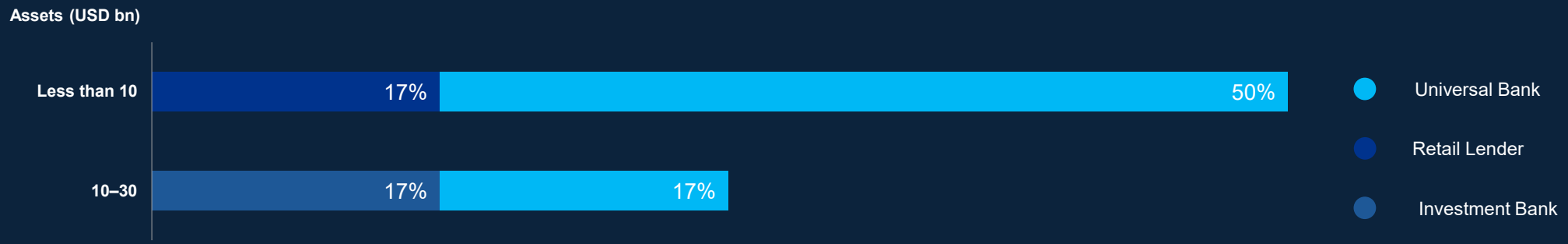
Survey Scope: Kazakhstan Peer Group

Kazakh banks represent 6 of 111 institutions, with smaller asset bases and universal-bank dominance



Background of Kazakh Banks

- **Sample:** This year's survey includes responses from 6 Kazakh banks, providing local insight within the global sample of 111
- **Peer groups:** The report compares two peer groups: Kazakh banks and the full global sample
- **Coverage:** Coverage spans ESG risk management topics including business strategy, risk identification, credit risk management, and stress testing
- **Focus areas:** Special focus areas: data and reporting, the EU's CSRD package, greenwashing, biodiversity
- **Sample profile:** Kazakh sample reflects institutions of different sizes and business models, as shown below



© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Key Observations

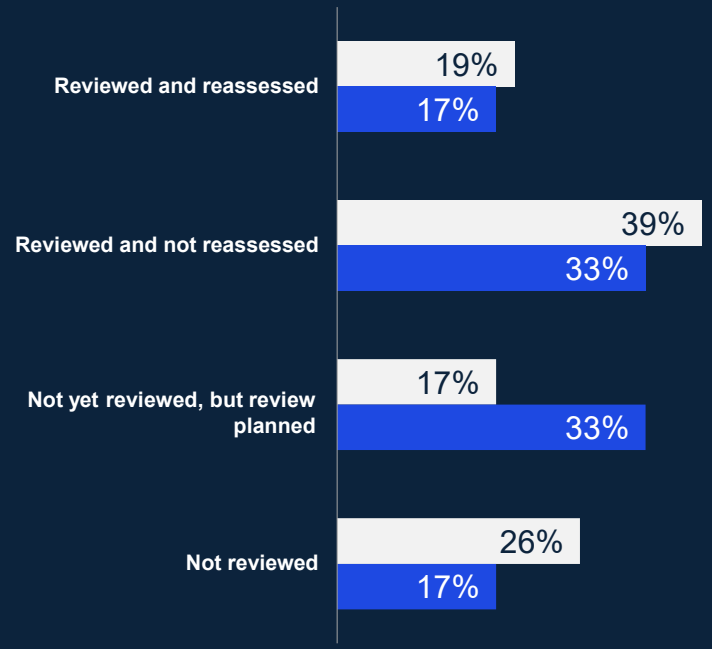


© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

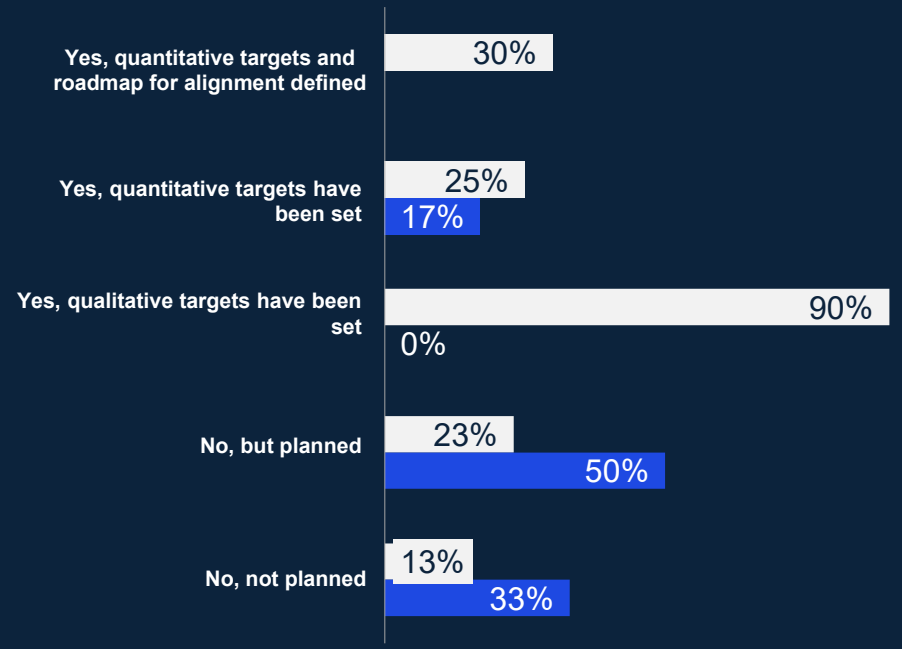
Key Observations

Kazakh banks show intent on ESG, but lag global peers in execution and target-setting

- Most global banks have reviewed ESG risks, but few have reassessed them in light of new disruptions
- Kazakh banks display higher intent − one-third plan reassessments − but action remains limited



- Global peers move toward quantitative targets with roadmaps, signaling structured transition plans
- Half of Kazakh banks remain in the planning phase, with no clear roadmaps yet in place



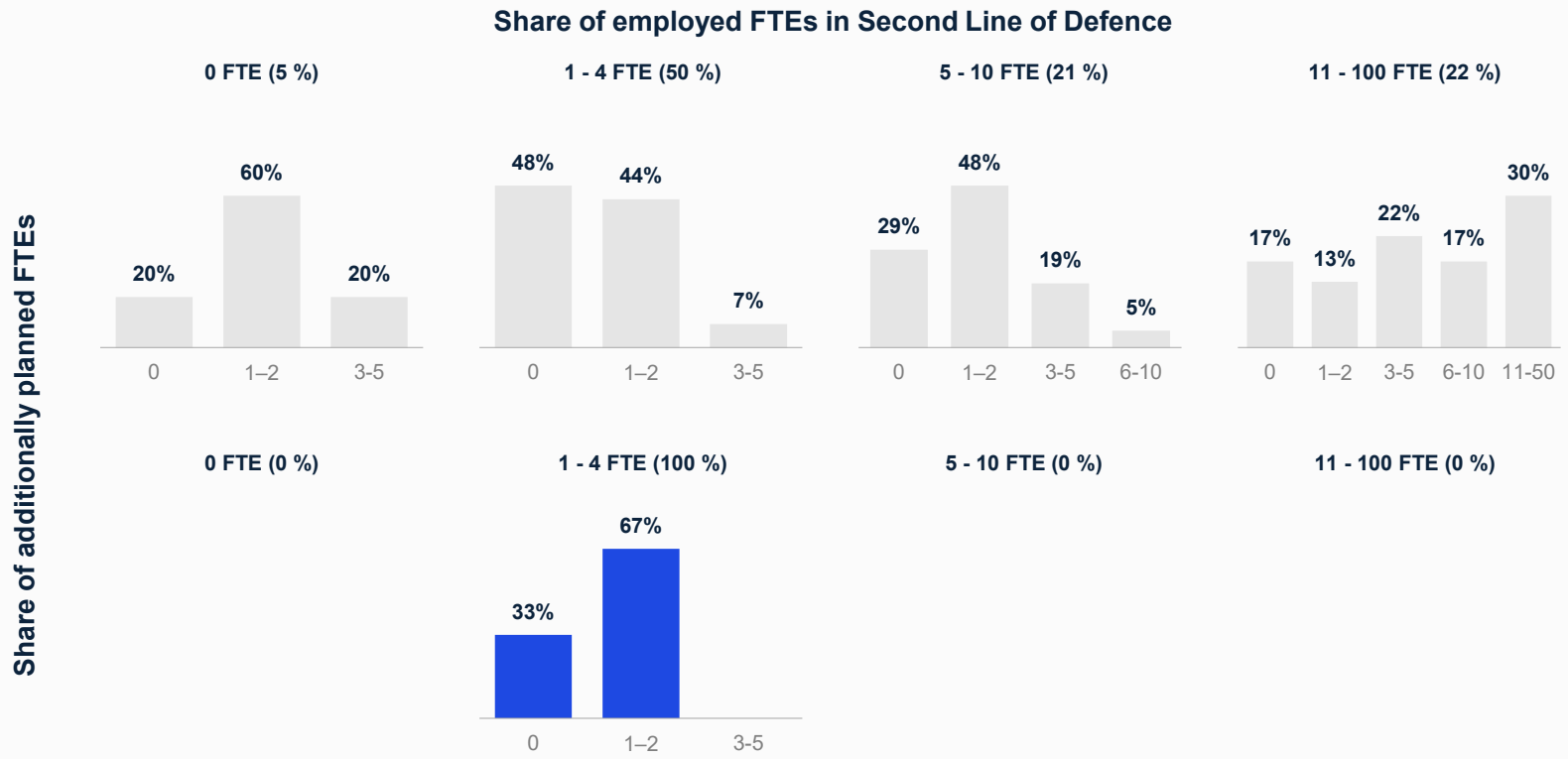
* All Banks sample includes Kazakh Banks

© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Key Observations

Global Banks Expand ESG Teams and Budgets; Kazakh Banks Show Caution

- Global banks are steadily expanding ESG teams, with more staff allocated to second-line risk roles. **In contrast, Kazakh banks remain at an earlier stage: while intent is visible, FTE additions are still limited**

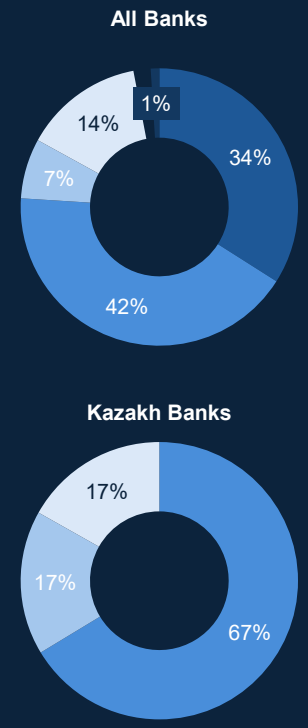


* All Banks sample includes Kazakh Banks

Large decrease — Large increase

- Global banks consistently increase ESG budgets, reflecting growing commitment **Kazakh banks are more cautious, with funding concentrated in only a few institutions**

ESG Budget Adjustments



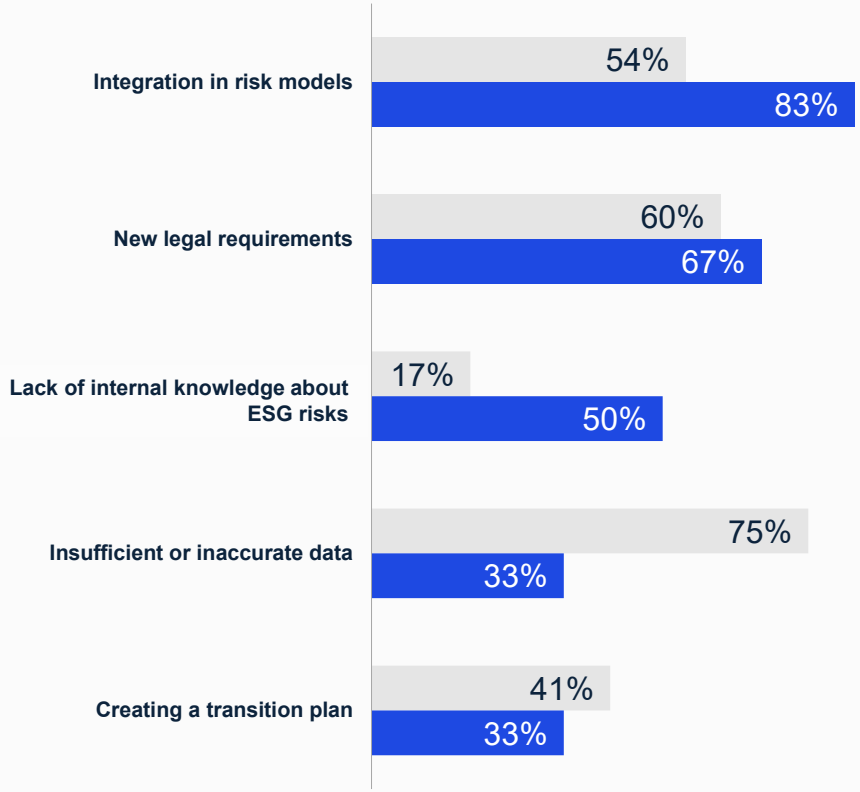
KPMG

© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Key Observations

Top Challenges 2025, Integration in Risk Models is Key Issue for Kazakh Banks

Biggest ESG Risk Challenges (Next Two Years)**



* All Banks sample includes Kazakh Banks
** Respondents could select multiple answers, therefore, percentages may exceed 100 %

© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Kazakh Banks All Banks*

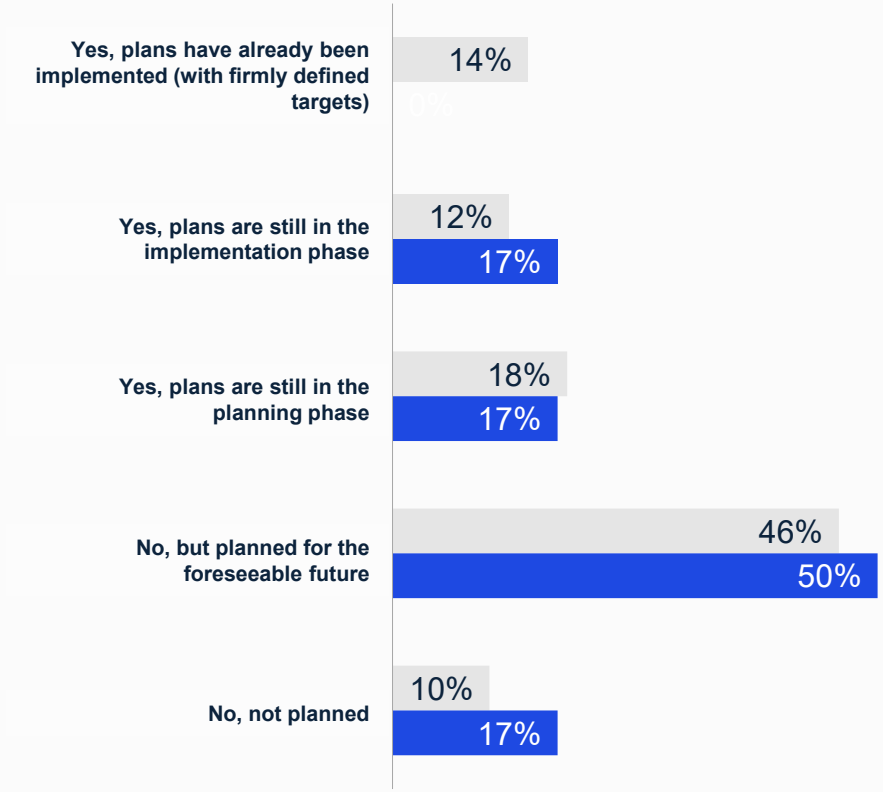
Key Insights: ESG Risk Challenges for Kazakh Banks

- **Integration into risk models is the top challenge:** 54% of Kazakh banks identify integration into risk models as their most pressing ESG issue. While still significant, this lags global peers (83%), signaling that Kazakh banks are earlier in the process of embedding ESG factors into formal risk frameworks
- **Regulatory requirements are a strong driver:** 60% of Kazakh banks cite new legal requirements as a major challenge, broadly aligned with the global sample (67%). This highlights that regulation is a universal pressure point, shaping ESG priorities across markets
- **Knowledge gaps are more acute locally:** Half of Kazakh banks see lack of internal ESG expertise as a challenge (50% vs. 17% globally). This suggests capability building − through training, hiring, or partnerships − remains a key prerequisite for deeper ESG integration
- **Data and transition planning trail behind:** While global peers struggle most with data quality (75%), only one-third of Kazakh banks flagged this (33%). Similarly, transition planning is less of a priority locally (41% vs. 33%), reflecting a less advanced stage of implementation.

- **Kazakh banks lag global peers in embedding ESG into risk models, constrained by knowledge gaps and early-stage integration, while global peers now focus on data quality and transition execution**

Kazakh Banks Struggle to Move Beyond Planning in Transition Execution

Transition Plan Development in Progress



Key Insights: Transition Planning Among Kazakh Banks

Without accelerating execution, Kazakh banks risk widening the gap with global peers

- **Global peers are ahead:** A larger share of global banks (14%) already have fully implemented transition plans, compared to none among Kazakh banks
- **Kazakh banks remain in early phases:** Half (50%) are still in the planning stage, and another 17% have no plans at all — indicating slower progress relative to global peers
- **Execution gap:** Only 17% of Kazakh banks report being in the implementation phase, lagging slightly behind global peers (12–18%). This highlights that while intent exists, execution capacity remains limited
- **Implication:** Without accelerating plan definition and execution, Kazakh banks risk falling further behind as regulatory and investor scrutiny intensifies.

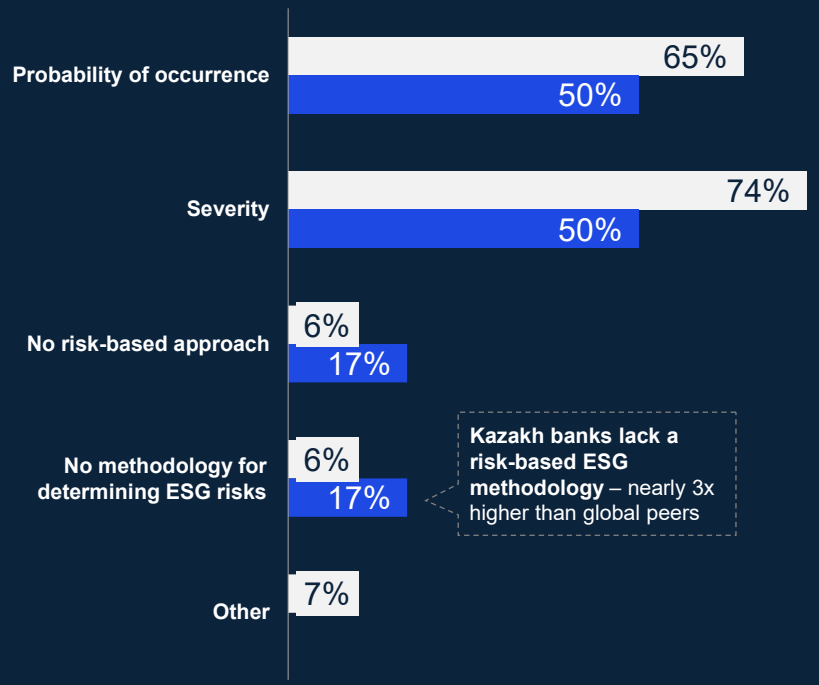
Half of Kazakh banks remain in planning phase – execution lags behind global peers

© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Key Observations

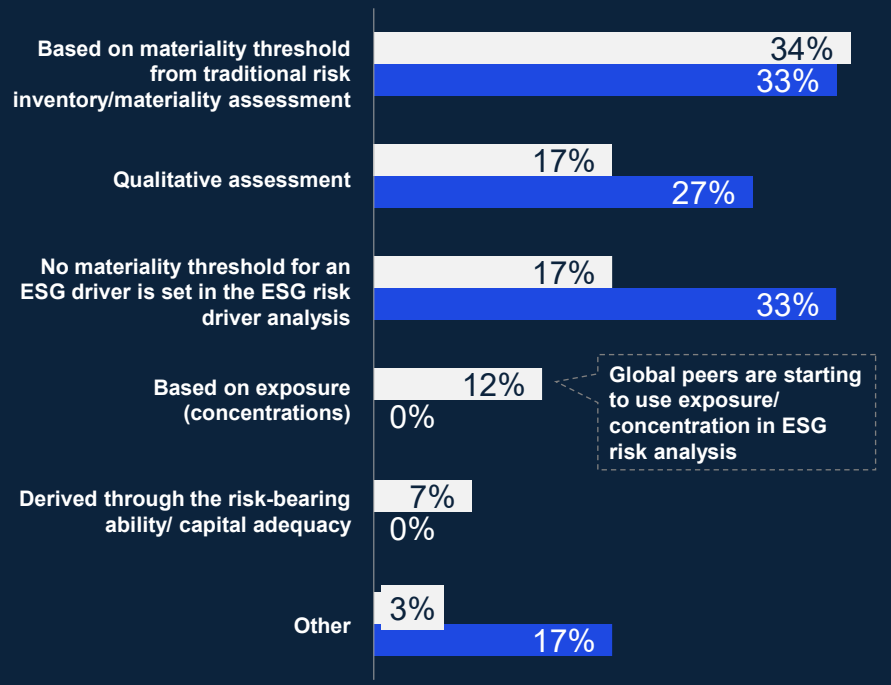
Kazakh Banks Less Advanced in Risk-Based ESG Materiality

Half of Kazakh banks apply probability/severity, but lag peers in structured approaches**



- Severity considered by 50% of Kazakh banks vs. 74% globally
- 17% of Kazakh banks lack a risk-based approach, vs. 6% globally

Global peers apply thresholds more often, Kazakh banks favor qualitative methods



- Global peers use thresholds/ concentration more (33% vs. 17%)
- Kazakh banks rely more on qualitative assessments (27% vs. 17%)

* All Banks sample includes Kazakh Banks
** Respondents could select multiple answers, therefore, percentages may exceed 100 %

© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Key Observations

Kazakh Banks Focus on Transition Risks, Undervalue Physical Risks

Assessment and Identification of Materiality of Environmental Risk Drivers Across Various Risk Categories*

E-Risk Drivers Identified as Material

	Credit Risk	Operational Risk	Market Price Risk	Liquidity Risk	Business Risk	Strategic Risk	Concentration Risk	Reputational Risk
Change in policy and regulations	67%	33 %	67 %	67 %	50 %	50 %	33 %	67 %
Technological change	50%	67 %	33 %	33 %	67 %	50 %	17 %	33 %
Changes in market sentiment	50%	17 %	67 %	50 %	67 %	67 %	17 %	33 %
Impact on and dependence on biodiversity	0%	0 %	0 %	0 %	0 %	17 %	0 %	0 %
Scarcity of resources	17 %	17 %	0 %	0 %	17 %	33 %	17 %	17 %
Extreme weather events	33 %	33 %	0 %	0 %	17 %	33 %	0 %	17 %
Chronic physical risks	33 %	33 %	0 %	0 %	17 %	33 %	0 %	17 %

E-Risk Drivers Not Yet Assessed

Change in policy and regulations	33 %	33 %	33 %	33 %	33 %	33 %	33 %	33 %
Technological change	33 %	33 %	33 %	33 %	33 %	50 %	33 %	33 %
Changes in market sentiment	33 %	33 %	17 %	33 %	17 %	33 %	33 %	33 %
Impact on and dependence on biodiversity	50 %	50 %	50 %	50 %	67 %	67 %	50 %	67 %
Scarcity of resources	50 %	50 %	50 %	50 %	50 %	50 %	50 %	50 %
Extreme weather events	50 %	50 %	67 %	50 %	67 %	67 %	67 %	67 %
Chronic physical risks	17 %	33 %	50 %	33 %	50 %	50 %	50 %	50 %

* Respondents could select multiple answers, therefore, percentages may exceed 100%

Low percentage — High percentage

- **Risk concentration:** Most Kazakh banks link E-risks primarily to Credit, Strategic, and Business risks, while Liquidity and Concentration risks receive much less emphasis.
- **Main triggers:** Key drivers identified are policy/regulation changes, shifts in market sentiment, and technological change, highlighting a focus on transition risks rather than immediate shocks
- **Blind spots:** Physical risks such as extreme weather events and biodiversity impacts remain underassessed, leaving critical blind spots in the ESG risk landscape

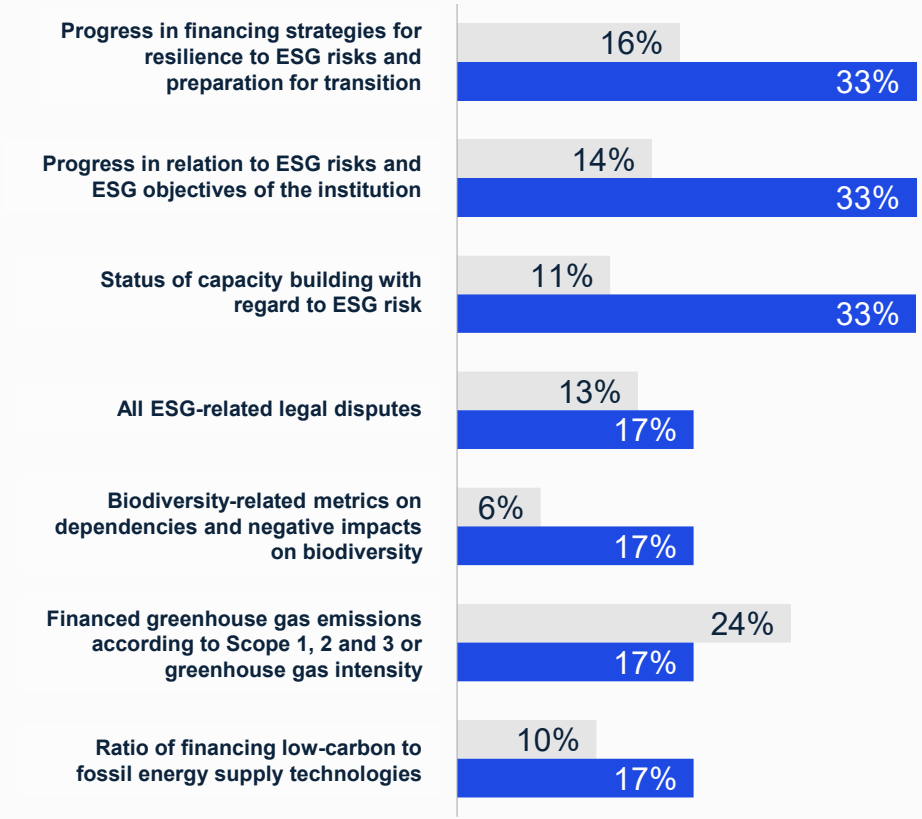
Underassessed physical risks could leave banks exposed to climate shocks

© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Key Observations

Specific KRIs Seem to Emerge as Preferred Metrics

Share of Banks with ESG KRIs Already Implemented**



* All Banks sample includes Kazakh Banks
** Respondents could select multiple answers, therefore, percentages may exceed 100 %

© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Kazakh Banks All Banks*

Key Insights: ESG KRIs Among Kazakh Banks

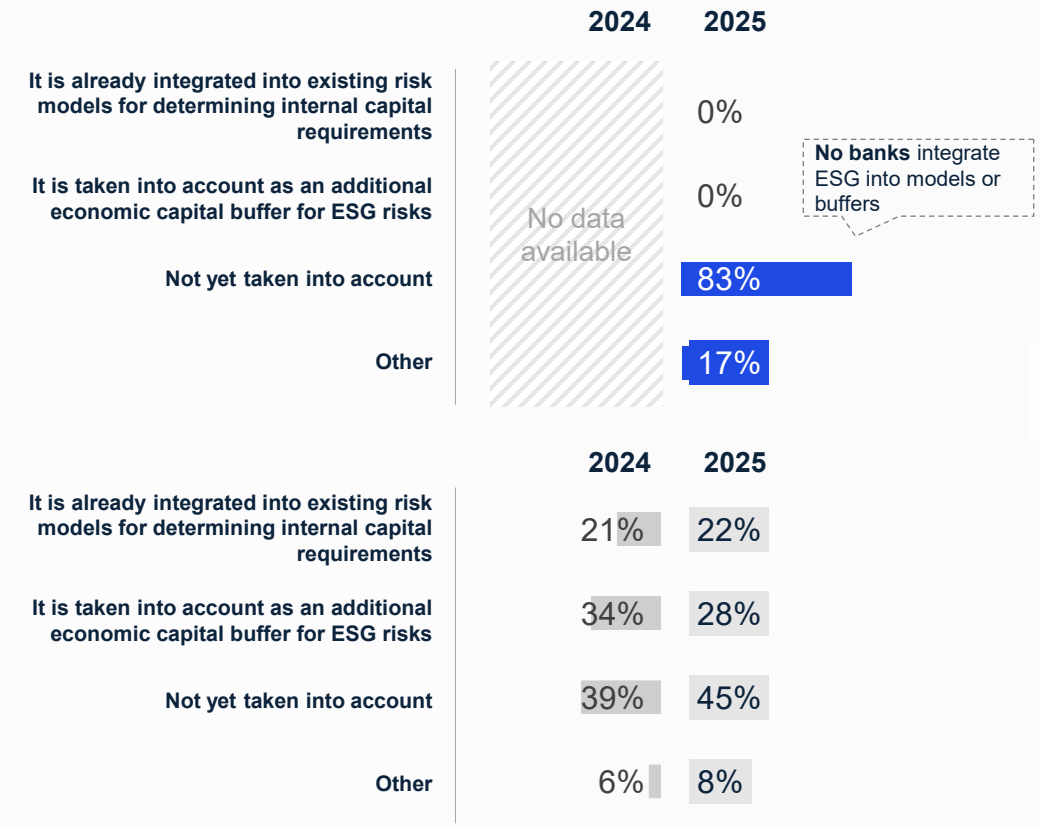
- **Narrow adoption:** Fewer than one in five Kazakh banks report having ESG KRIs in place, versus roughly a third of global peers. This signals that integration into risk frameworks is still at an early stage
- **Focus on resilience & transition:** Where KRIs are adopted, they mostly address financing strategies, transition planning, and ESG risk capacity building − reflecting a pragmatic focus on resilience and immediate regulatory pressures
- **Limited breadth:** Hardly any Kazakh banks report KRIs on biodiversity, financed emissions, or low-carbon technologies. By contrast, global peers are beginning to broaden coverage, leaving Kazakh institutions behind on emerging dimensions of ESG risk.

Kazakh banks' ESG KRIs remain narrow and transition-oriented, with limited uptake of wider metrics such as biodiversity and carbon

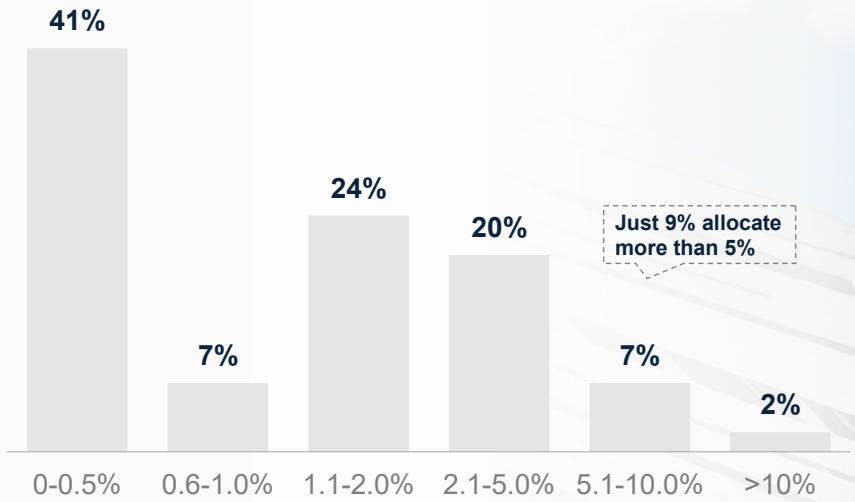
Key Observations

ESG Risk Not Yet Integrated into ICAAP by Kazakh Banks; Global Buffers Remain Modest

Consideration of ESG Risks in Internal Capital Requirements for ICAAP's Economic Perspective**



Share of Internal Capital Requirement/ Buffer Attributable to ESG Risk in ICAAP's Economic Perspective (2025)



- **Small buffers dominate:** 41% of banks allocate only 0–0.5% of capital to ESG risk, 24% at 1.1–2%
- **Few large allocations:** Only ~9% assign more than 5%, showing ESG is still seen as low in capital impact
- **Kazakh gap:** None of the Kazakh banks integrate ESG into ICAAP models or buffers.

* All Banks sample includes Kazakh Banks
** Respondents could select multiple answers, therefore, percentages may exceed 100 %

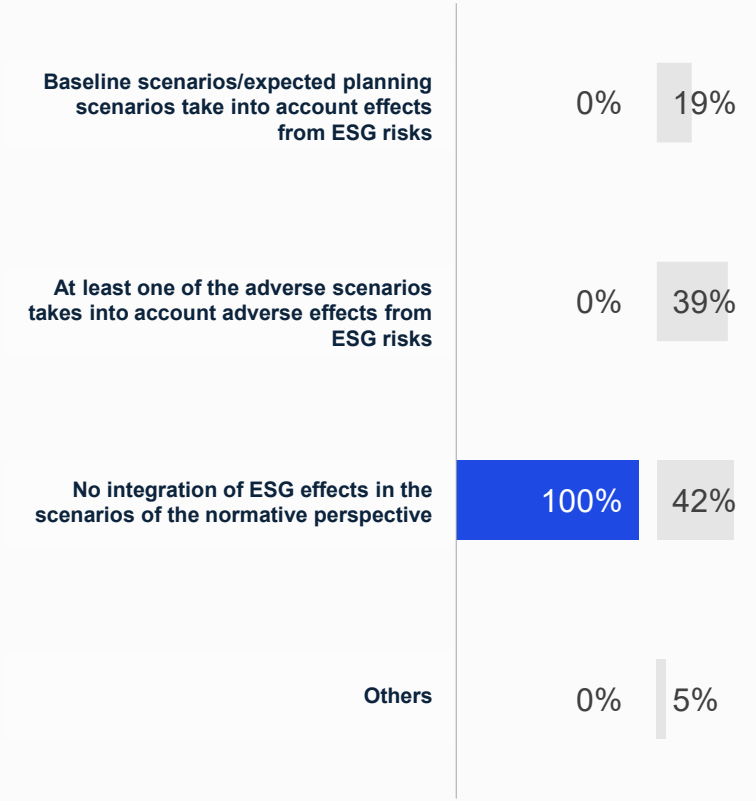
KPMG

© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Key Observations

Kazakh Banks Trail Peers in Scenario-Based ESG Integration

Consideration of ESG Risks in Internal Capital Requirements for ICAAP's Economic Perspective**



* All Banks sample includes Kazakh Banks
** Respondents could select multiple answers, therefore, percentages may exceed 100 %

Key Insights: Normative Perspective Integration

- **Lagging adoption:** None of the Kazakh banks integrate ESG risks into baseline or adverse scenarios, compared to 19% and 39% of global peers
- **Full gap vs. peers:** 100% of Kazakh banks report no integration into normative perspectives, versus only 42% globally
- **Implication:** Kazakh banks risk falling behind in forward-looking capital planning, where scenario-based ESG integration is becoming a supervisory expectation globally
- **Next step:** Building capacity to embed ESG into scenario analysis should be a priority to align with international standards and regulatory trends

Why it matters

100% of Kazakh banks report no ESG integration into scenarios under ICAAP – vs. 42% globally

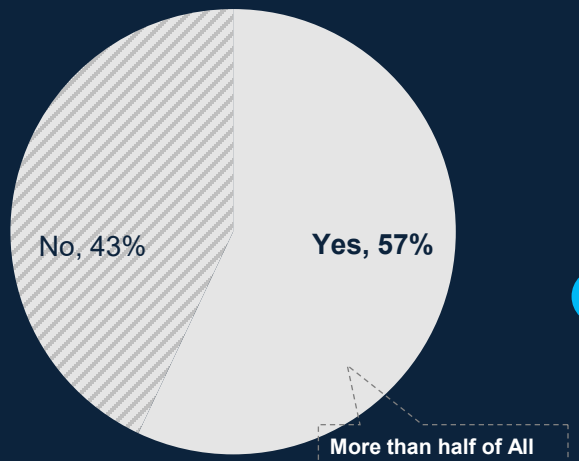
© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Key Observations

Kazakh Banks Lag in Nature & Biodiversity Risk Integration

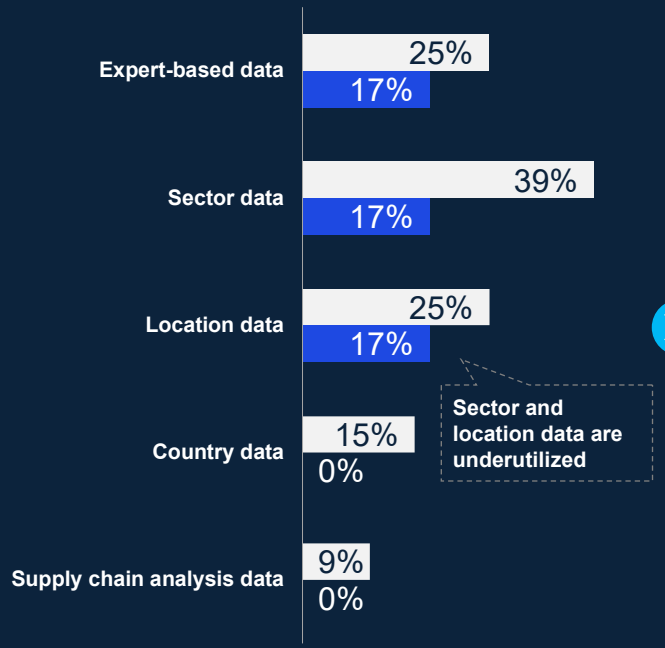
Kazakh Banks All Banks*

Realization of Materiality Analyses on Nature Risks**



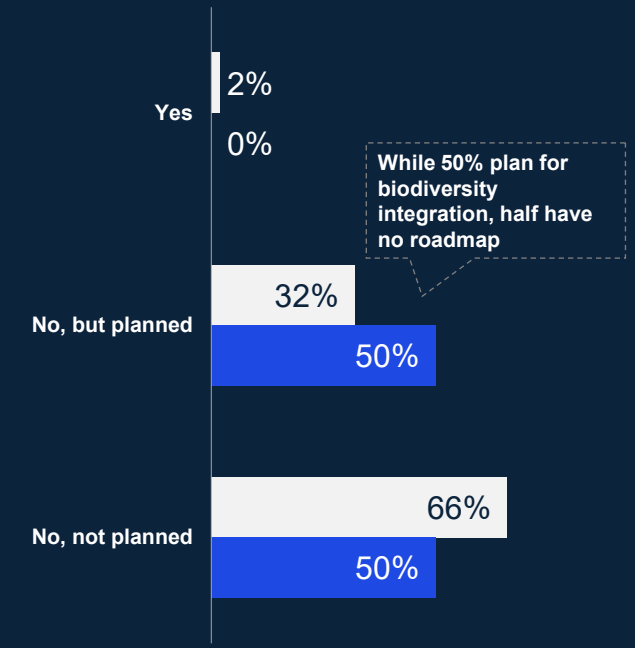
- Most Kazakh banks have yet to embed nature into ESG assessments

Data Used in Nature Materiality Analyses**



- Nature integration still missing from most Kazakh banks' ESG frameworks

Transition Plan Development in Progress for Biodiversity-Related Risks



- **Overall, Kazakh banks are at a planning stage only, while peers are beginning to move toward implementation**

* All Banks sample includes Kazakh Banks
** Respondents could select multiple answers, therefore, percentages may exceed 100 %

© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Conclusion & Next Steps

Where Kazakh banks stand

- **Kazakh banks are progressing on ESG risk management, but lag peers:** risk models, transition planning, and scenario-based approaches remain at an early stage, **highlighting the need for acceleratio**n.
- **Execution and capabilities are the key constraint:** many institutions remain in planning mode; methodologies lack depth, and physical/ biodiversity risks are underassessed.
- **Capital treatment of ESG risks remains nascent:** ESG is not yet reflected in ICAAP models or buffers among Kazakh banks, whereas **peers have already introduced modest allocations**.
- **Path forward requires accelerated alignment with international standards:** strengthening methodologies, embedding ESG into capital planning, and moving from intent to execution will be critical to meet regulatory and market expectations, and to build resilience.

KPMG

© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Public

How KPMG can help



© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Helping Banks Embed ESG into Strategy, Risk & Reporting

Comprehensive Support for Implementing Responsible Finance Tools

Amid intensifying climate pressures and rising expectations from regulators, investors, and clients, banks are at the center of economic transformation. Responsible finance is becoming an integral part of growth strategies and risk management.

KPMG helps banks embed ESG systematically from strategy and climate risk assessment to digital reporting and sustainable finance. We support banks in building competitive advantage in the emerging low-carbon economy.

What we offer

- **Diagnostics & policy development:** maturity assessment of sustainability practices, roadmap design, and ESG governance frameworks for banks
- **Long-term sustainability strategies:** ESG and climate strategies integrating sustainability principles and Net Zero targets into bank strategy and operating models
- **Climate & ESG risk management:** design of ESG risk assessment and monitoring systems, including scoring tools, borrower evaluation methodologies, and climate stress-testing procedures
- **Non-financial reporting & disclosures:** implementation of ESG reporting frameworks; preparation of disclosures aligned with international standards (GRI/ ISSB/ SASB) and requirements of the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market
- **Carbon footprint & climate impact:** methodologies for Scope 1, 2, and 3 emissions (including portfolio emissions), aligned with GHG Protocol and PCAF
- **ESG automation & digitalization:** selection and integration of ESG IT solutions and data platforms; embedding ESG indicators into core banking systems (credit modules, CRM, risk platforms)
- **Sustainable & green finance:** structuring green bond frameworks in line with ICMA principles, certification readiness (incl. Climate Bonds Initiative), second-party opinions (SPO), and post-issuance support
- **ESG training & capability building:** hands-on workshops on ESG, climate agenda, risk management, sustainable finance, and ESG reporting.

What sets us apart

- Flexible approach tailored to national regulations and bank-specific context
- Access to leading[1] international expertise in climate, sustainability, and financial risk
- Rapid implementation using proven tools and solutions.

1 KPMG firms recognized as a global leader in ESG and Sustainability Consulting

This report was prepared by KPMG Caucasus and Central Asia

Research team: Renat Sailau, Kamilya Zhumash, Aiym Igsatova, KPMG in Germany

Partner: Gabit Musrepov

Director: Anuar Kazbekov

Head of Markets & Clients: Evgeniia Denisova

© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Contacts



Gabit Musrepov

Partner, Leader of Sustainability Services

KPMG Caucasus and Central Asia

E: gmusrepov@kpmg.kz

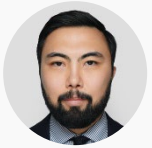


Anuar Kazbekov

Director of Sustainability Services

KPMG Caucasus and Central Asia

E: akazbekov@kpmg.kz



Renat Sailau

Manager of Sustainability Services

KPMG Caucasus and Central Asia

E: rsailau@kpmg.kz

kpmg.kz

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2025 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

Document Classification: KPMG Public