



Walk the Talk

Employee expectations and experiences on ESG in Malta

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01

Foreword



Foreword

Welcome to KPMG Malta's Report on employee expectations and experiences on ESG in Malta.

We are witnessing several megatrends that are transforming our lives.

Businesses are increasingly prioritising sustainability as they recognise its critical role in long-term success. This shift is not just about mitigating environmental and social impacts, but also about generating value and creating opportunities. From improving operational efficiency to enhancing brand reputation, sustainability is becoming a key driver in decision-making processes. Additionally, businesses are recognising that sustainable practices can drive innovation, establish new markets, strengthen customer loyalty, as well as attract and retain talent. Moving forward, embedding sustainability within core business strategies will emerge as an essential element of corporate responsibility and competitive advantage.

Within this context, stakeholder expectations are also shifting. Stakeholders are no longer satisfied with statements of commitment; increasingly they seek tangible actions and measurable outcomes. For instance, employees are demanding greater accountability in tackling Environmental, Social and Governance (ESG) issues in the workplace, thereby ensuring that businesses not only *talk the talk*, but also *walk the walk*.



Claudine Borg Azzopardi

Partner

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Rachel Decelis

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ESG Lead

Further, this demand is prompting a transformation of corporate culture, necessitating a re-evaluation of business models, and spurring investment in sustainable technologies and methodologies. As ESG principles emerge as a key benchmark for success, businesses that proactively address ESG issues are likely to lead the way in their respective industries.

This is KPMG Malta's first nation-wide survey study on employee's ESG expectations and experiences in the workplace. Within a context where stakeholders, including employees, are placing increased emphasis on ESG, and where emerging ESG regulations such as the Corporate Sustainability Reporting Directive (CSRD) are coming into force, our research aims to understand the degree of awareness of ESG in the workplace and the extent to which ESG principles influence job selection and retention. It explores various aspects, including the importance of a business' environmental impact, social efforts, and governance practices in shaping employee expectations and experiences.

Our sincere wish is that the insights gained from this study will support businesses to align their business strategies with employee expectations and experiences, fostering a work environment that values environmental stewardship, social inclusivity and ethical conduct, amongst others, as well as inspire collaboration with the relevant stakeholders, including employees, to drive the necessary transformation towards sustainability.

02

**The role of ESG in crafting
'great places to work'**



The **role of ESG** in crafting 'great places to work'

Businesses are facing growing pressure to integrate ESG into their core values, strategies, and goals.

In addition to increasing sustainability¹-related regulations and reporting requirements, this pressure also stems from employees² and job seekers³ who are increasingly seeking and expecting employment that is purpose-driven, engaging, and fulfilling; in other words, they are looking for 'great places to work'⁴.

In practice, to operate successfully in this shifting environment and to attract and retain the right type of talent, businesses need to start focusing on ESG in the same way that they have done with more traditional business performance indicators, such as lead-to-client conversion rates or profit margins. From a 'People' perspective, ESG impacts the experience of the general workforce twice fold. Not only do employees working for businesses with strong ESG commitments tend to report better work experiences, feeling more satisfied and engaged⁵, but this understanding is leading to increased selectivity by job applicants, who are equally gravitating towards businesses recognised for being 'great places to work'. This argument is further supported by the trend of 'climate quitting' demonstrated among younger generations; indeed, recent research has found that one in three 18-24-year-olds have rejected a job offer based on an organisation's ESG performance⁶.

Underpinning this relationship is a wider shift in societal norms and culture. In general, people are becoming increasingly technologically enabled, well-informed, and globally focused, meaning business leaders are contending with employees and job candidates who are more ESG-conscious, and want to work in cultures that see their ESG-related expectations reflected in how their employer operates⁷.

1 Since 'ESG' is often used in place of the term 'sustainability', both terms have been used interchangeably throughout this report.

2 Throughout this report, the term 'employees' refers to respondents who indicated they are currently employed.

3 Throughout this report, the term 'job seekers' refers to respondents who indicated they are either unemployed and looking for work, or that they are currently employed but passively open to opportunities or actively looking for a different job.

4 Winiarski, D., 2023. Purpose-Driven Organizations Foster Employee Retention And More. Refer to [link](#).

5 Workplace, 2024. What is ESG and why does it matter? Refer to [link](#).

6 KPMG UK, 2023. Climate quitting - younger workers voting with their feet on employer's ESG commitments. Refer to [link](#).

7 Park, J., et al., 2022. Exploring Trends in Environmental, Social, and Governance Themes and Their Sentimental Value Over Time. Refer to this [link](#).



Dissecting the E, S and G in ESG

ESG is a framework comprised of three key pillars: **'Environment' (E)**, **'Social' (S)** and **'Governance' (G)**.

The 'E' pillar encompasses a comprehensive evaluation of actual and potential environmental impacts, risks, and opportunities. Criteria considered include the business' carbon emissions, sustainable natural resource management, pollution, waste management, and others.

The 'S' pillar examines how a business manages relationships with its employees, suppliers, customers, and the communities in which it operates. In the context of Human Resources (HR), ESG is related to 'People' practices emphasising the importance of inclusion, diversity and equity, work-life balance, secure employment, wider community involvement, and other matters.

The 'G' pillar focuses on the internal practices governing a business' conduct to ensure transparency and accountability. Criteria under this pillar include ethical supplier management practices, anti-corruption, tax transparency, board composition, and others.



Creating an employee value proposition that is attractive enough to appeal to job seekers and retain employees with increasingly ESG-conscious mindsets, however, can be a tricky task to get right. Businesses now have ESG-related commitments to add to the previous list of candidate expectations. But where does ESG performance fall on this laundry list of requirements, and does it sit higher than more traditional factors such as salary?

Recent wide-scale surveying studies have revealed that workers are becoming increasingly willing to sacrifice a better salary expectation in pursuit of a stronger ESG performance by the organisation they work for⁸. Another recent study in the UK indicated that, when comparing job offers with the same responsibilities, a significant number of young workers chose to accept lower salaries if it meant they would be working for a company that is committed to the ESG cause⁹.

Within this context of shifting pressures on businesses and more demanding expectations amongst employees and job seekers, the present study looks to explore whether, in the context of the Maltese workforce:



Respondents place importance on whether businesses actively address ESG issues



ESG is a driver to attract purpose-driven job seekers, and retain talent



a discrepancy exists between workplace expectations and experiences



ESG and salary hold comparative significance

⁸ Hals, R., 2022. Nearly half of younger workers are prepared to leave their jobs over ESG. Refer to this [link](#).

⁹ Armonk, N.Y., 2021 IBM Study: COVID-19 Pandemic Impacted 9 in 10 Surveyed Consumers' Views on Sustainability. Refer to this [link](#).



03

About the survey



About the survey

This is the 1st edition of the KPMG Report on employee expectations and experiences of ESG in Malta.

In August 2023, KPMG Malta carried out a survey study to identify and better understand the expectations and experiences of employed and job-seeking individuals within Malta regarding ESG in the workplace.

390 responses^{10, 11} were collected in total. This sample exceeded the advisable minimum number of respondents required to ensure a 95% confidence interval in our results (i.e. there is only a 5% chance the results we found are due to random chance).



Survey method

The survey was distributed online through **social media** and **email**, and further complemented by **in-person intercept surveys** aiming to reach as wide a demographic range as possible.

Target demographic

The survey was open to all residents of Malta, **aged 18 and above**, regardless of nationality (i.e. both Maltese nationals and foreign nationals residing in Malta).

Limitations

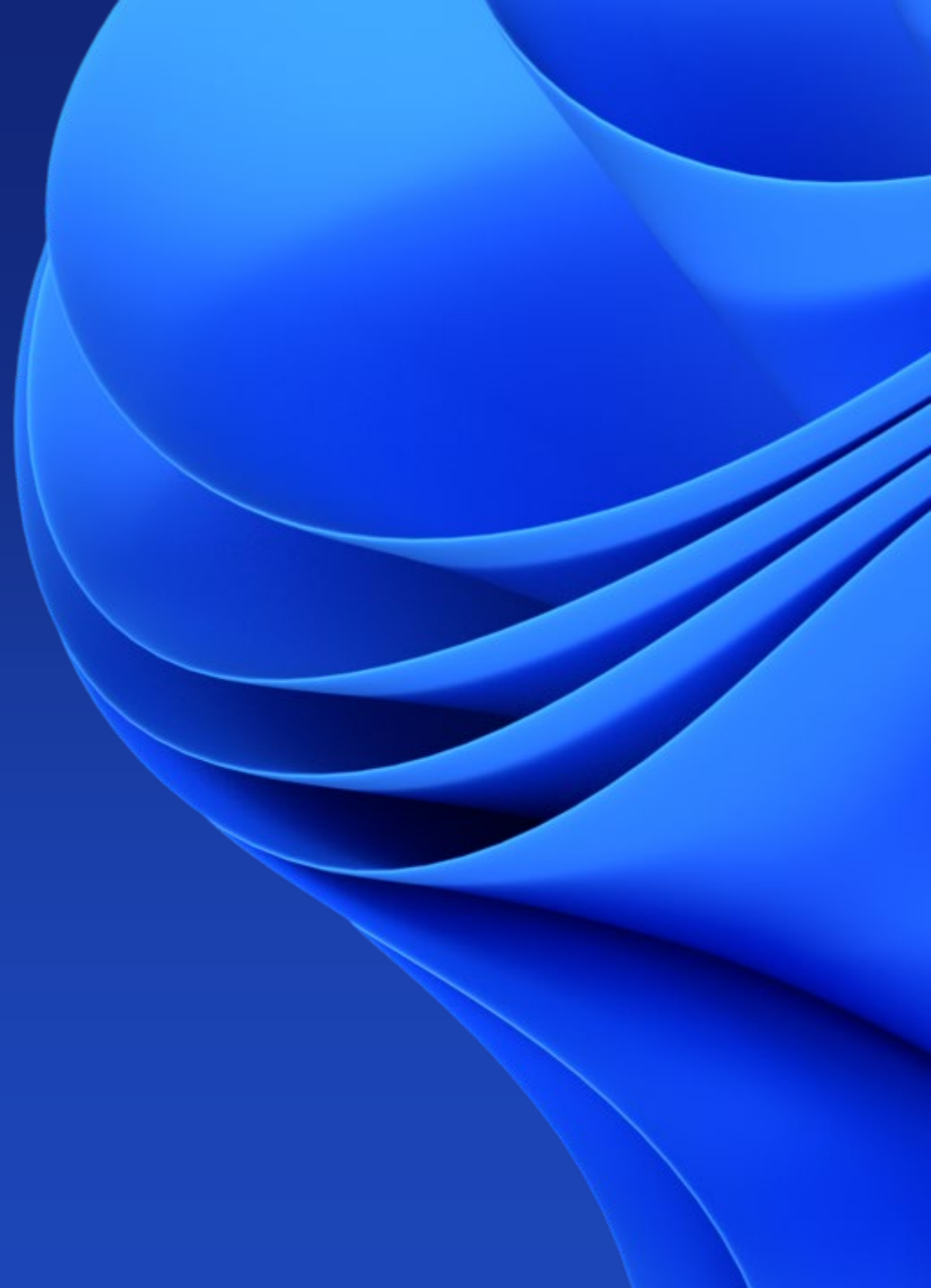
The survey was subject to two main limitations, namely **self-selection bias** and **social desirability bias**:

- **Social desirability bias** refers to the tendency for respondents to provide answers they believe to be socially desirable or viewed favourably by others, rather than expressing their honest opinion.
- **Self-selection bias** refers to the potential for a study or survey sample of respondents to lack representativeness, given that individuals can opt to take part in a survey or not. Respondents who opt to partake tend to have particular interest in the topics being studied (more so than the general population), and therefore the results may not be fully representative of the general population.

10 Throughout the survey, some questions were addressed to all respondents (*N* = 390), others to both current employees and job seekers (*N* = 370), some only to current employees (*N* = 356), and some only to job seekers, including employees that fall under the 'passively open to opportunities' and 'active job seekers' categories (*N* = 154).
 11 Refer to [Appendix 1](#) for respondent data.

04

Key insights





Key insights

The rising demand for ESG engagement in business

96% of respondents believe it is moderately to extremely important for businesses to **actively address ESG issues** within their organisation.



The 4 key action points for leaders:

- 1 Find out what matters
- 2 Measure it
- 3 Improve it
- 4 Communicate and engage with employees and other stakeholders

Employee reflections on ESG in the workplace

26% of employees have **relatively low awareness** of ESG initiatives within their current workplace.

21% of employees have **considered leaving their current job** to work in another organisation with better ESG performance.

The ESG gap: Workplace expectations versus experiences

93% of employees and job seekers consider it moderately to extremely important for their workplace to perform well on 'Social' issues; 'Governance' (92%) and 'Environment' (88%) follow closely.

However, only **58% of employees rate their current workplace's performance on 'Social' as 'good' or 'very good'**; the situation is marginally better for 'Governance' (61%), while worse (42%) for 'Environment'.

ESG in talent attraction

81% of job seekers, including employees who are 'passively open to opportunities' and 'active job seekers', believe that a prospective employment organisation's **ESG values and performance have a moderate to extreme influence on their decision to apply** for a position.

58% of job seekers, including employees who are 'passively open to opportunities' and 'active job seekers', research a company's **ESG values and performance when considering prospective employment**.

66% of employees and job seekers would prefer a job at a company that has **moderately better ESG performance even if the other company pays 5% more** (€22,000 vs €23,000). However, this number drops to **37% when the salary difference is 14%** (€22,000 vs €25,000).

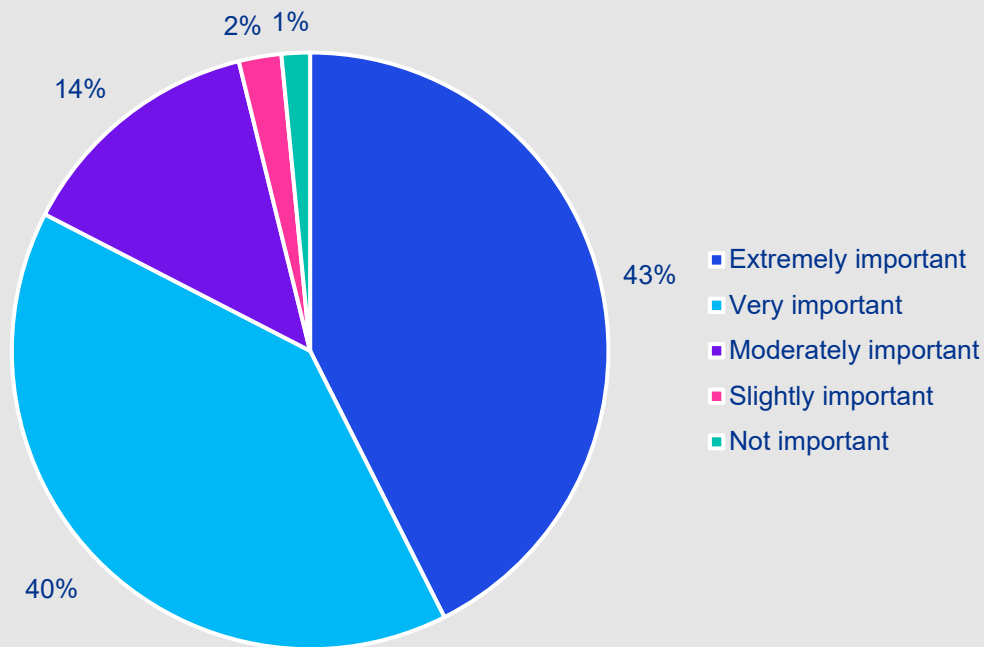
05

**The rising demand for ESG
engagement in business**





The **rising demand** for ESG engagement in business



Q: In your opinion, how important is it for businesses to play a role in actively addressing environmental, social and governance (ESG) issues within their organisation, such as carbon emissions, diversity, and corporate purpose, etc.?
(N = 390)

(Source: KPMG Analysis)

A striking **96% of respondents** are of the opinion that it is 'moderately important' to 'extremely important' for businesses to play a role in actively addressing ESG issues. These findings are reflective of a wider demand for businesses to be held accountable for their impact on society and its people, as well as the planet.

However, what is accountability without awareness? Businesses cannot hold themselves truly accountable without first understanding which ESG issues they face and therefore need to address. This is a task that may seem particularly challenging given the broad and varied spectrum of ESG data points available, ranging from carbon emissions to employee well-being to board composition – to mention a few.

Regardless, it's worth noting that collecting and analysing ESG data is not a one-time 'tick-the-box' exercise; rather, it is a way through which businesses can: (i) self-reflect on their own strengths and areas for improvement, and (ii) understand better how to meet the needs and expectations of key stakeholders, including their own employees. Building on the latter objective, the process of collecting and analysing ESG data may also support in providing Management with insights on E, S and G issues that are not evident day-in, day-out. Equipped with such information, businesses may also choose to elevate their business strategies by aligning with best practices and integrating ESG principles and objectives more clearly in their business model, in turn advancing their own ESG performance and making their business more resilient.



The imperative for businesses to prioritise ESG is now more critical than ever. Those that integrate ESG into their business strategies will benefit from sustainable and long-term value creation. Crucially, this strategy not only enriches the business' relationship with the communities it serves and environment it operates in, but also builds resilience and drives innovation in an ever changing world.



John McCalla-Leacy
Head of Global ESG,
KPMG International



06

**Employee reflections
on ESG in the workplace**



Employee reflections on ESG in the workplace

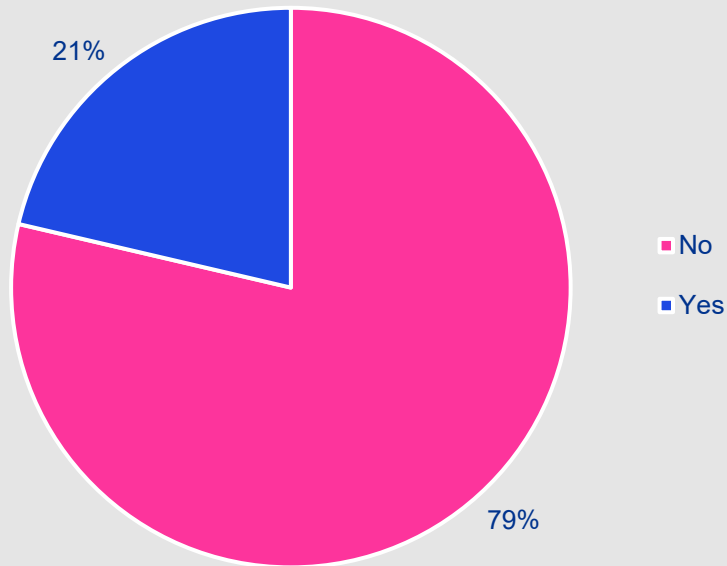


Employees were asked on the extent to which they are aware of existing ESG initiatives within their current workplace. On a scale of 0 to 10, the **average rating for employees' level of awareness was 5.9 ± 2.8** , suggesting that on average, employees are 'moderately aware' of ESG initiatives in their workplace.

Additionally, survey findings indicated that for around a **quarter of employees (26%)**, the **average rating was less than 5**, thereby suggesting relatively low levels of awareness in this segment regarding ESG initiatives taking place in their respective workplace. Frequently, the extent of visibility of ESG initiatives varies within an organisation, resulting in inconsistent levels of awareness among employees that may easily impact how engaged they are, or feel. Hence, this finding underscores an important opportunity for organisations to not only enhance their employees' awareness but also to secure critical employee buy-in, which is pivotal for retention and engagement.

Given the growing importance of these aspects to employees, effectively communicating the organisation's commitment to ESG values can significantly contribute to nurturing a more engaged and dedicated workforce, and may also lead to better retention. For instance, an organisation can involve its employees in the development of its ESG strategy, fostering a sense of value and inclusion in decision-making, and potentially leading to more effective implementation of ESG initiatives.

ESG as a potential driver of employee retention



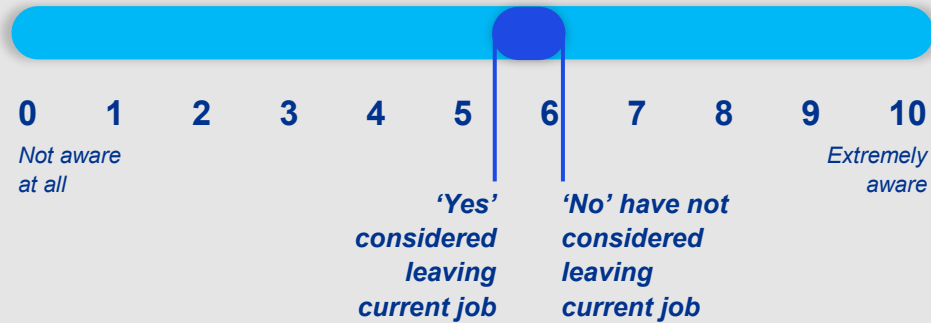
Q: Have you ever considered leaving your current job to work in another organisation with better ESG performance? (N = 356)

(Source: KPMG Analysis)

A subsequent finding sheds valuable insight on the role that an organisation's commitment to ESG plays in employee retention, revealing that positive ESG performance is increasingly important in retaining employees. Indeed, a noteworthy **21% of employees have considered leaving their current workplace for organisations with better ESG performance.**

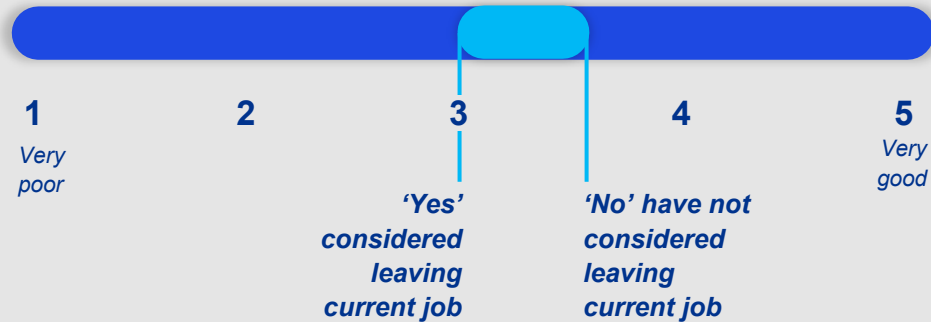


Average ESG awareness at the workplace:
Analysis by commitment to current workplace (N = 356)



(Source: KPMG Analysis)

Average employee rating of the ESG performance of their current workplace:
Analysis by commitment to current workplace (N = 356)



(Source: KPMG Analysis)

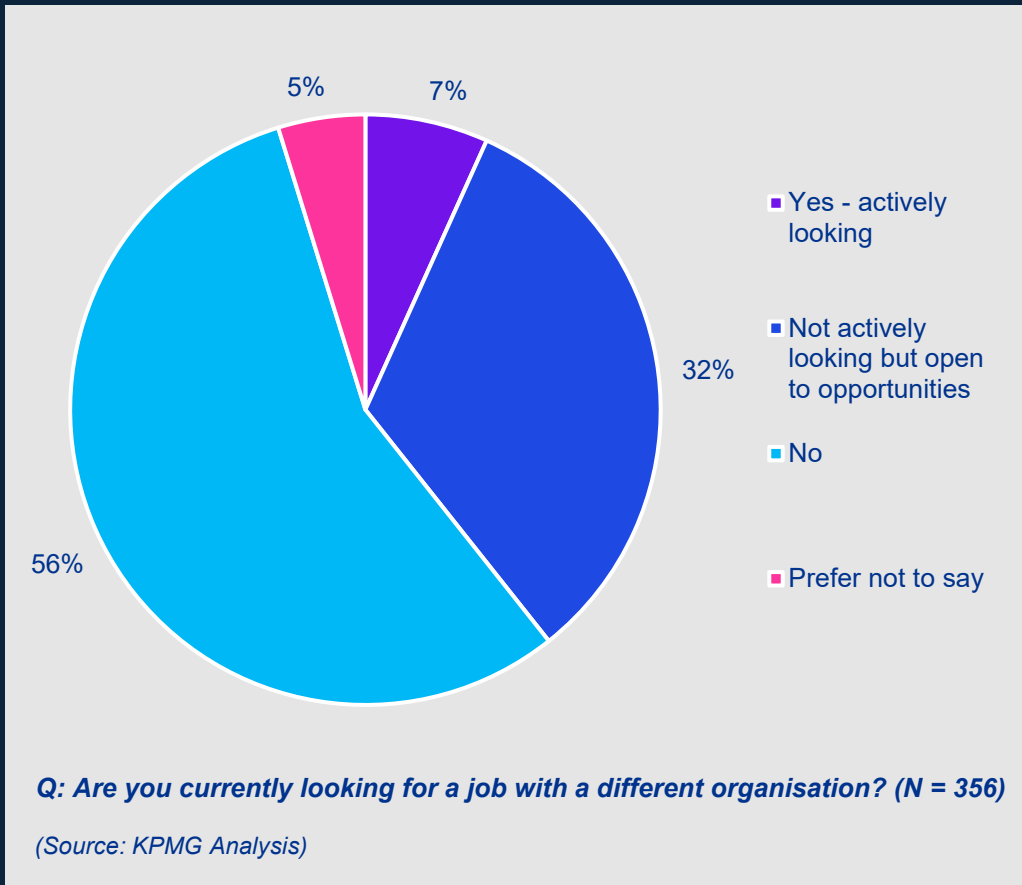
Interestingly, employees who have considered a move based on an organisation's ESG performance reported a lower awareness of ESG initiatives in their workplace (average ratings of **5.4** vs. **6.1**) and rated the organisation's ESG performance to be poorer (average ratings of **3.0** vs. **3.6**). This suggests a link between how employees view ESG initiatives in their workplace and their desire to remain with the organisation or otherwise. It is worth noting that an employee's rating of their organisation's ESG performance could be indicative of their overall satisfaction with their workplace. For instance, if an organisation fosters a positive work culture, nurtures strong ethics and prioritises employee well-being (all topics that fall under the ESG umbrella), it is likely to contribute to the creation of a supportive environment where employees feel valued and respected, and this could lead to heightened morale. Maintaining employee morale also plays an important role in contributing to an organisation's financial bottom line; a content and stable workplace is less likely to exhibit high turnover rates, and the associated costs and disruptions to operations.

The consideration by employees to transition to organisations with stronger ESG commitments reflects a growing trend of prioritising ethical and sustainable practices in career choices, underscoring the need for companies to strengthen their ESG performance.



Kia Luise Brodersen Klavenes
 Associate Partner, Head of ESG Strategy & Transformation,
 KPMG Norway

Employees were also asked whether they are currently looking for a job with a different organisation. Respondents can be grouped into **four categories**:



Stable core

56% of employees indicated that they are 'not open to new opportunities', suggesting that there is a stable core of employees who are content to remain in their current workplace. This group also provided the highest average ratings regarding the ESG performance of their current workplace (**3.6, out of a maximum score of 5**). This could indicate that such positive perceptions of ESG performance may be contributing to their intention to remain with their current organisation. Moreover, the lack of interest in pursuing new job opportunities may also stem from respondents' appreciation for the culture and leadership within their current workplace¹²; organisations would do well to keep a pulse of these aspects since negative changes have the potential to impact employees' desire to remain with the organisation.



Passively open to opportunities

32% of employees are 'not actively looking, but open to opportunities', indicating that a sizable portion of the sampled employees would be willing to change their job if a better opportunity came along. On average, employees in this category rated the ESG performance of their current workplace slightly lower (**3.3**) than the 'stable core' category. This could suggest that, while such employees may not be actively seeking new roles, a weaker perception of their workplace's ESG performance may make them more inclined to be open to opportunities with alternative organisations boasting a stronger ESG performance. From a retention perspective, individuals who fall within this category represent employees that organisations have a stronger chance of re-engaging if steps are taken to strengthen ESG performance and awareness. Since they are not actively looking for new roles, less costly interventions (such as engagement when building and implementing the organisation's ESG strategy, awareness raising, and so on) may be effective as opposed to more traditional retention incentives (such as retention bonuses and compensation increases).

¹² Winn, B.A., 2017. When great leaders leave, do the best employees stay? Refer to [link](#).



Active job seekers

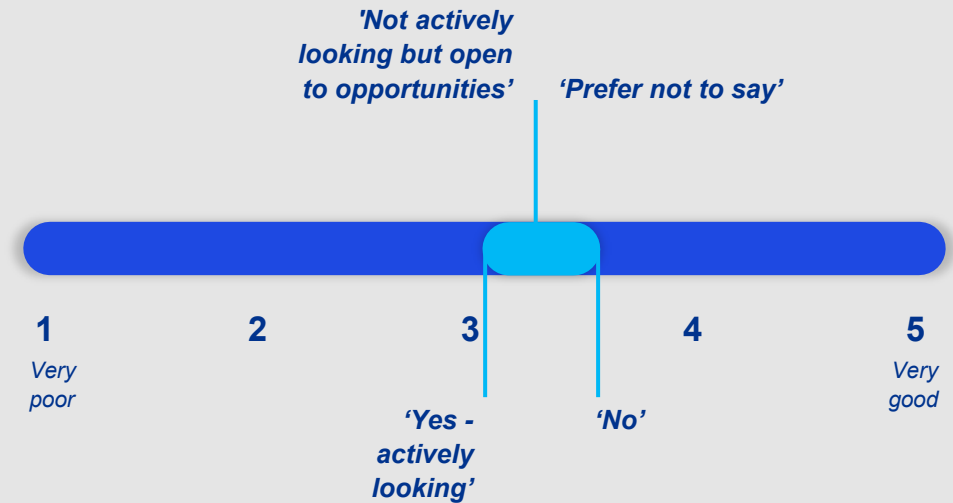
7% of employees indicated that they are 'actively looking for new opportunities'. This group likely includes employees that are dissatisfied with various facets of their current workplace, potentially including their workplace's ESG performance. Out of the four categories, this group of employees provided their current workplace with the lowest average rating (3.1) for ESG performance. This finding supports an earlier argument made regarding how poor perception of ESG performance may correlate with an employee's intention to leave their current workplace or seek new opportunities, shedding light on how ESG performance needs to be a key consideration for an organisation's business strategy, not only because of its moral or ethical implications but also as a factor for retention. By boosting its ESG performance, an organisation can also plug an additional leak of talent.



'Prefer not to say'

5% of employees chose the 'prefer not to say' option. Noting that this is a small subgroup, the perception shared by these employees regarding the ESG performance of their workplace was largely aligned with the average (3.3) and falls somewhere in between the average rating provided by the 'stable core' and 'not actively looking but open for opportunities' categories. A potential reason for this response could be that some employees are uncertain about their current employment status or hold general concerns about confidentiality.

Average employee rating of the ESG performance of their current workplace: Analysis by job seeker status (N = 356)



(Source: KPMG Analysis)



07

The ESG gap





The ESG gap: Workplace expectations vs experiences



Q: How important is it for you that the organisation you work for performs well on E, S, and G? (N = 370)

(Source: KPMG Analysis)

Q: How would you rate the current performance of E, S and G of the organisation you work? (N = 356)

(Source: KPMG Analysis)

The survey findings also shed insight on the importance that employees and job seekers place on ESG issues, in contrast with how employees perceive the ESG performance of their current workplace. Indeed, as further described in the following pages, our findings suggest a **discrepancy between expectations and experiences of employees and job seekers regarding the three pillars of ESG.**



Environment



88% of employees and job seekers identify the environmental performance of an organisation to be **moderately to extremely important**. However, only **42% of employees** rate their actual workplace's **performance under the 'E' pillar as 'good' or 'very good'**, indicating room for improvement and suggesting that while employees and job seekers find environmental stewardship to be important, the majority of employees perceive their workplace's efforts in this area to be lacking.



The gap between expected and perceived ESG performance in organisations signals a critical area for development, particularly in enhancing social responsibility and environmental stewardship to align with employee expectations.



Arnaud van Dijk
 Partner, ESG, KPMG in the Cayman Islands
 Deputy Head of ESG, KPMG Islands Group



Social



93% employees and job seekers identify social performance of an organisation to be **moderately to extremely important**. Out of the three pillars (E, S and G), the social pillar was given the most importance, probably because several facets (such as work-life balance and employee well-being) directly impact an employee's experience. In comparison, employees regard their actual workplace's performance under the 'S' pillar more favourably than under 'E', with **58% rating it as 'good' or 'very good'**. This suggests that employees and job seekers place great importance on social stewardship and acknowledge that their workplace is performing better in this regard than under 'E' or 'G', further underscoring the growing importance of how organisations manage relationships with their employees, engage with communities, and support social justice initiatives.





Governance



The governance performance of an organisation is perceived to be nearly as important as social performance, with **92% of employees and job seekers** considering it to be **moderately to extremely important**. Employees believe that the actual workplace's performance under the 'G' pillar is the best rated out of the three pillars, with **61% of such employees rating it as 'good' or 'very good'**. This suggests that while employees and job seekers generally feel content with their workplace's performance under the 'G' pillar, they also recognise that there are areas where this performance could be improved to better align with their expectations. This sentiment underscores the critical role that transparent, responsible, and ethical management practices play in attracting job seekers.



Effective governance is the bedrock of ESG success, and is fundamentally within an organisation's control. It enhances employee perception and commitments, and shapes culture, resulting in ethical practices and transparent operations. Governance should be a priority for organisations, not just as a compliance obligation, but as the foundation upon which sustainable success is built.



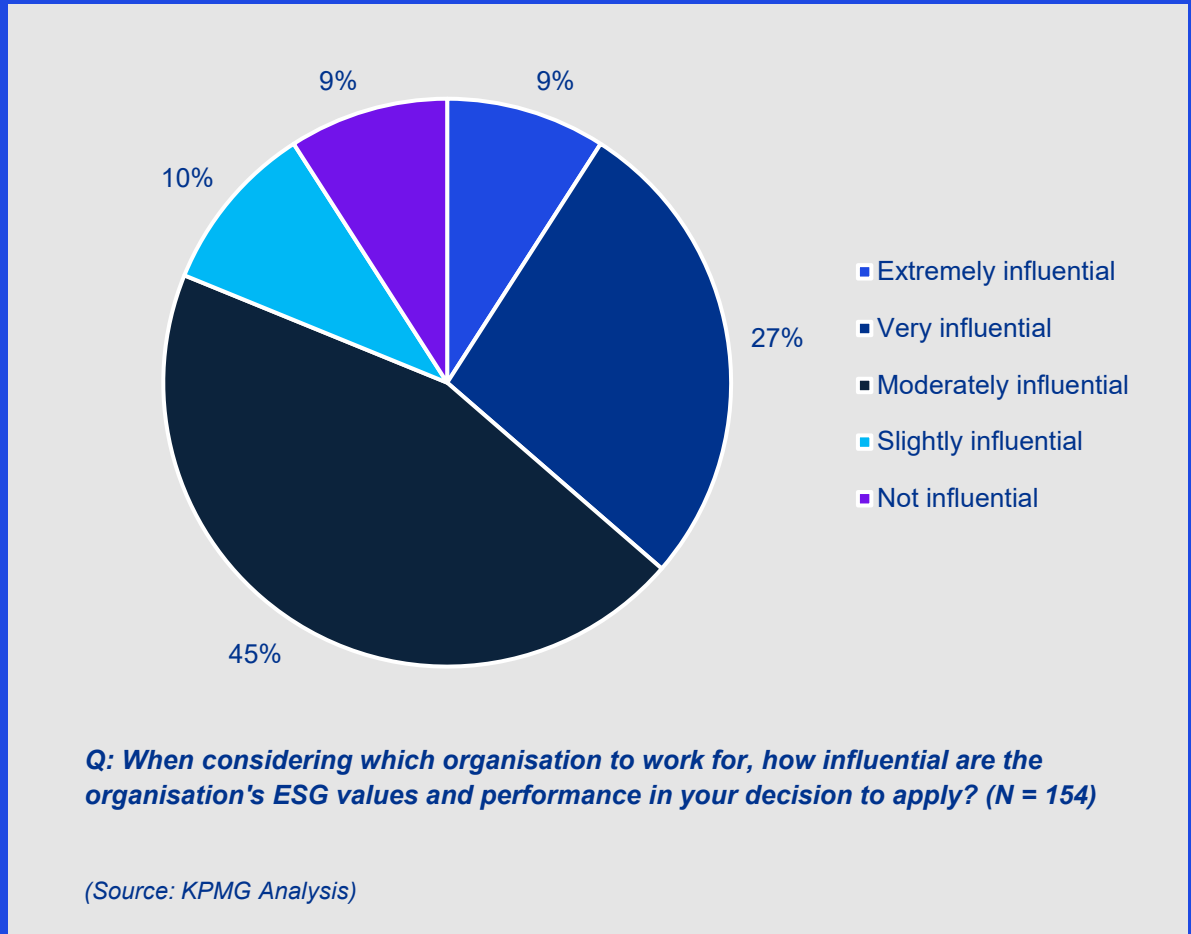
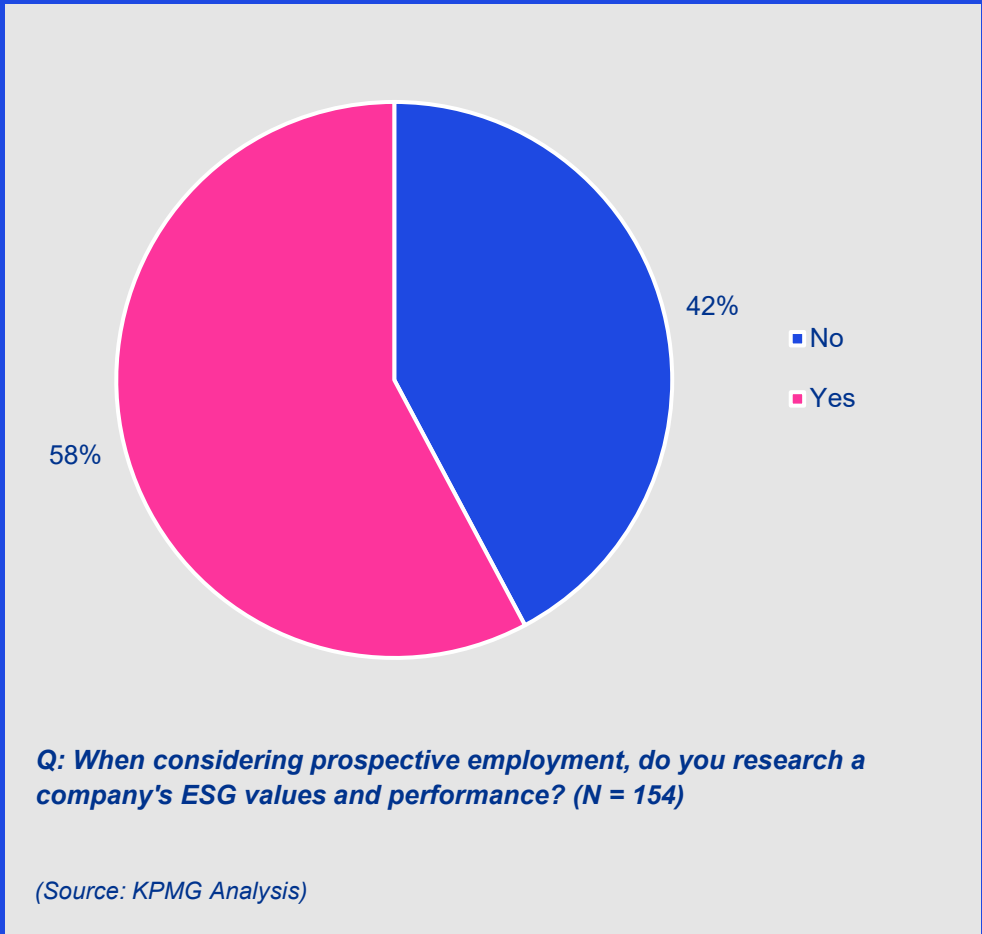
Giselle Borg
Partner, Risk Consulting Advisory Services,
KPMG in Malta

08

ESG in talent attraction



ESG as a magnet to attract purpose-driven talent





58% of job seekers, including employees that fall under the 'passively open to opportunities' and 'active job seekers' categories (refer to Section 6), indicated that they research a prospective company's ESG values and performance when considering a job. Additionally, **81%** of such respondents felt that ESG values and performance of a prospective employer have a **moderate to extreme influence** on their decision to apply for a position. Given these findings, it could be suggested that companies with weak ESG performances or poorly articulated ESG strategies may find it more challenging to attract the right talent to apply to join. It could also indicate that ESG values and performance play a considerable role when it comes to employer branding.

Conversely, it is also worth noting that a substantial **42%** of such job seekers do not research a company's ESG values and performance when considering prospective employment. Possible reasons for why individuals may not place importance on ESG values and performance in this context are numerous. Starting with, **19%** of these respondents indicated that the ESG values and performance of a potential employer exert **little to no influence** on their decision to apply for a job. It is also reasonable to assume that for some individuals, more traditional indicators such as expected salary, job seniority, location, and so on, could hold stronger sway on decision-making.

Another factor could be a lack of understanding or scepticism about how ESG values translate into tangible benefits within the workplace. If job seekers do not see a clear link between ESG performance and their potential day-to-day work experience, they might not consider it a critical factor in their job selection process. This scenario presents an opportunity for organisations to position their ESG commitments as central to their employee value proposition to highlight the direct benefits of a strong ESG performance to job seekers, thereby enhancing the organisation's attractiveness as a potential employer.

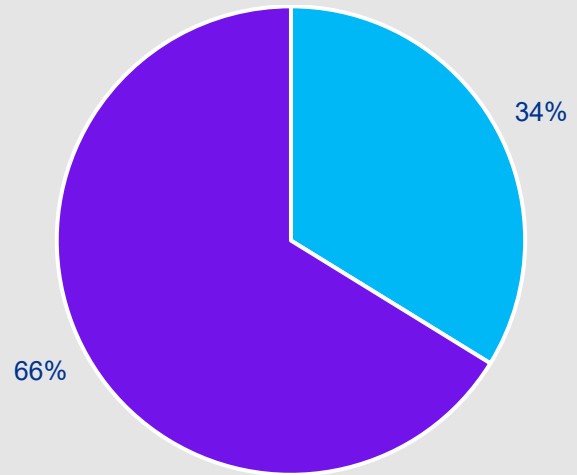


Enhancing ESG commitments and practices is becoming increasingly crucial for companies not just for ethical reasons, but also as a strategic move to boost employee retention, highlighting the growing importance of sustainability in attracting and keeping top talent.



Claudine Borg Azzopardi
Partner, People and Change
Advisory Services,
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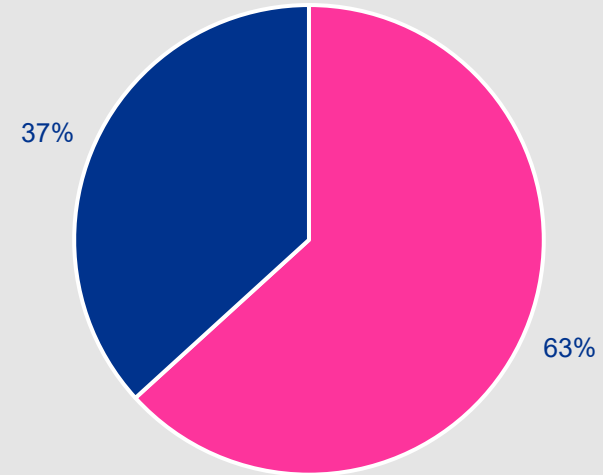
What is ESG performance worth to employees?



- Option A: A job that pays €23,000 yearly, at an organisation with moderately worse ESG performance than Option B.
- Option B: A job that pays €22,000 yearly, at an organisation with moderately better ESG performance than Option A.

Q: Consider the above two job options. In either case, the role is similar. However, the ESG performance of the organisation and the salary differ. Which option would you choose? (N = 370)

(Source: KPMG Analysis)



- Option A: A job that pays €25,000 yearly, at an organisation with moderately worse ESG performance than Option B.
- Option B: A job that pays €22,000 yearly, at an organisation with moderately better ESG performance than Option A.

The survey findings reveal interesting insight regarding how employees and job seekers weigh the importance of an organisation's ESG performance against financial compensation when considering employment opportunities.





ESG performance versus €1,000 (5%) salary difference:

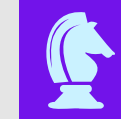
66% of employees and job seekers indicate they would prefer a job at an organisation with a moderately better ESG performance even if it pays 5% or €1,000 less (€22,000 vs €23,000) than a comparable job at an organisation with a moderately worse ESG performance. This finding suggests a strong disposition among employees and job seekers to positively prioritise an organisation's ESG credentials over a relatively small decrease in financial compensation. The willingness of two-thirds of employees and job seekers to accept lower pay for better ESG performance underscores the growing importance that corporate sustainability plays in individuals' employment, or potentially even retention, decisions.

ESG performance versus €3,000 (14%) salary difference:

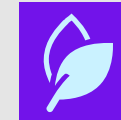
When the difference in financial compensation increases to 14% or €3,000 (€22,000 vs €25,000), **37% of employees and job seekers** still prefer the job with moderately better ESG performance. Although this percentage represents a substantial decrease from the 66% who would accept a 5% or €1,000 lower salary, it still indicates that a noteworthy share of the workforce attaches high value to ESG performance. The fact that over a third of employees and job seekers are willing to accept a considerably lower salary for better ESG performance highlights the depth of commitment to these values for many individuals. This decision may reflect an understanding of the broader impact of their work and an alignment of personal values with corporate ethics and sustainability practices. Conversely, our findings also demonstrate that while ESG performance is important, there is a limit to the extent of financial compensation employees and job seekers are willing to sacrifice to work at an organisation with better ESG performance; indeed, an overwhelming 63% of employees and job seekers would prefer a job at an organisation with moderately worse ESG performance for this higher salary.



Implications for Organisations:



Employer branding & employee value proposition: These findings suggest that a strong ESG performance could be a critical component of an organisation's employer branding and employee value proposition, attracting and retaining talent who prioritise these values. Organisations might leverage their ESG performance to distinguish themselves amongst peers in the labour market, especially when targeting individuals who are willing to trade higher pay for alignment with personal values.



Investment in ESG initiatives: For organisations, investing in ESG initiatives to attain a strong ESG performance could not only enhance their reputation but also serve as a strategic tool in talent acquisition and retention. This is especially relevant in industries where competition for talent is high, and candidates have the luxury of choosing employers who align with their values.




May signal a shift in workforce priorities: The willingness to accept lower compensation for better ESG performance suggests that, for a significant portion of the job market, the quality and impact of the work environment, along with the ethical standing of the employer, are crucial factors in job selection. This shift might encourage companies to communicate their ESG initiatives and achievements more openly to attract like-minded job seekers. By doing so, an organisation can potentially also lower its salary costs, showcasing a pivotal financial benefit that accompanies ethical business practices and resonates with employee values.



The survey findings underscore a growing movement where an organisation's ESG performance is increasingly influencing employment decisions. Many individuals are demonstrating a willingness to accept lower financial compensation in favour of better alignment with ESG principles. This inclination towards sustainability over salary has been mirrored in studies elsewhere, highlighting a shift in salary expectations for roles within sustainable industries and companies. This observation has been described by researchers as the **'sustainability wage gap,'** referring to the phenomenon where employees, driven by their commitment to environmental and social responsibility, accept a reduced pay to work for firms that actively embody sustainable practices in their operation¹³.

With a significant portion of the workforce valuing ESG performance over higher salary offers, it's clear that ethical business practices and sustainability are no longer optional but essential components of a competitive employer brand.

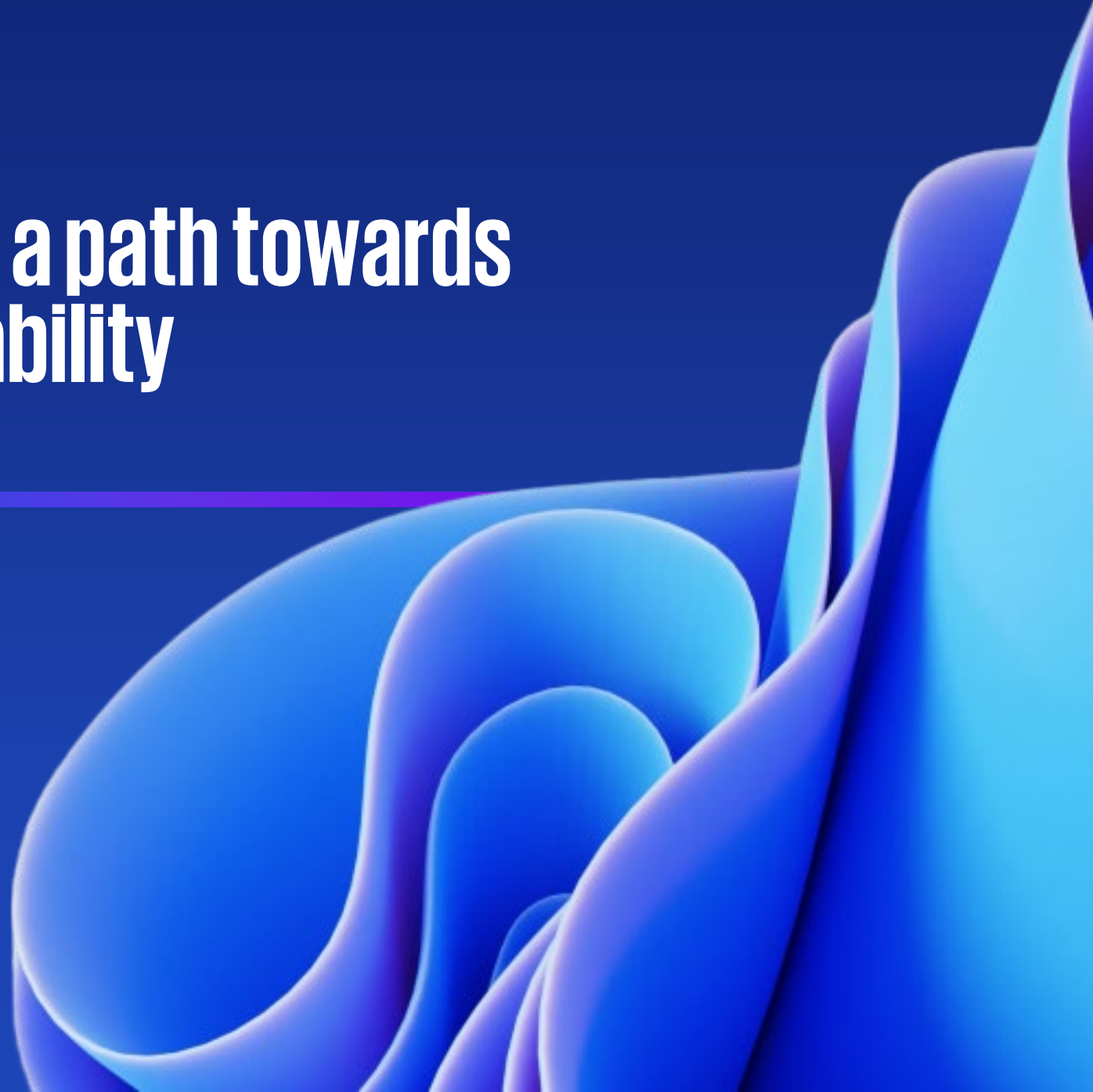


Rachel Decelis
Associate Director, ESG Lead,
KPMG in Malta

13 Throughout KRUEGER, P., et al., 2024. The Sustainability Wage Gap. Refer to this [link](#).

09

**Charting a path towards
sustainability**





Charting a path towards sustainability

When asked what more could organisations be doing to improve their ESG performance, employees and job seekers ($N = 168$) suggested that this can be achieved through **five main intervention categories**:

1

Aligning values with behaviour

Employees and job seekers emphasised that organisations should “walk the talk” in seeking to improve their ESG performance. This includes not only setting up ESG committees or initiatives in name alone but also embedding ESG principles into the organisation’s day-to-day culture, demonstrating leadership by top-level management. Translating these ESG values into actions can also potentially help measure success. Such respondents criticised superficial measures, such as treating ESG as a tick-box exercise or a way to rebrand without substantial action. They called for genuine employee diversity, not just in appearance but in practice, and for work-life balance to be respected, not just preached. They also highlighted the need for actions with real societal impact, rather than mere greenwashing. For instance, promoting flexible work and taking environmentally friendly actions, not just in job descriptions or company statements. This feedback underscores the importance of authenticity and integrity in organisations’ ESG commitments.

“Preaching about ESG is one thing, but implementing it is another thing, and this is the most difficult part.”

– Female, 35-44, non-Maltese national





2

Focusing on what matters

Employees and job seekers believe that organisations can improve their ESG performance by focusing on all the three pillars of E, S and G. Under the 'E' pillar, they recommended reducing carbon footprints through work-from-home policies, promoting alternative transportation, and improving waste and water management practices. Socially, the emphasis was on fostering diversity, investing in employee development, ensuring fairness, enhancing working conditions, and prioritising mental health to build an inclusive workplace culture. In Governance, the focus was on establishing strong structures and cultures that support wellbeing, advocating for transparent salary policies, equitable leave policies, and performance-based reviews to ensure fairness and avoid discrimination. Collectively, these recommendations aim to foster sustainable, inclusive, and equitable workplaces. These issues are not new, but without appropriate tracking and measurement, an organisation's non-financial performance cannot be understood. As leaders start to measure and pay attention to ESG factors, just as they do with finances, they are better able to manage them and address the root causes of problems, creating a culture where ethical and sustainable practices are prioritised. And who wouldn't want to be part of this kind of workplace?

“Organisations need to prioritise employee well-being and create an inclusive environment where employees from different backgrounds feel included.”

– Male, 25-34, Maltese national



3

Ensuring employee engagement

The acceptance of and engagement with an organisation's ESG strategy and performance may be significantly influenced by the People Experience offered by the organisation. From an employer branding perspective, involving employees in the decision-making process related to the ESG strategy and initiatives increases the employee's commitment to the ESG strategy as well as to the organisation itself. This ultimately benefits the organisation as engaged employees tend to be more productive, loyal, and motivated¹⁴. Positive experiences, such as feeling included, valued, and empowered by the organisation's ESG efforts, can foster more robust people engagement scores and commitment among customers, job seekers, employees, investors and other stakeholders. An organisation that fosters its employees to partake an active role with their input and cooperation in the building of an ESG strategy can positively contribute to the People Experience and thus, to the employer brand.

“Organisations should involve a significant proportion of all parts of the business. By doing so, all the departments would be aware of the improvements that are to be undertaken in the day-to-day working methods.”

– Female, 35-44, Maltese national

4

Augmenting education and awareness

Employees and job seekers repeatedly highlighted the need for both internal and external education and awareness. They suggested that understanding ESG principles, creating awareness through reporting, educating leaders to be role models, and conducting workshops for employees are crucial steps. One of such respondents also highlighted the importance of learning from best practices in similar sectors and carrying out materiality assessments¹⁵ to identify areas of maximum positive impact. The emphasis on education and awareness reflects an understanding that meaningful change often results from a series of small, cumulative actions, and that a well-informed workforce can drive this change effectively.

“In my opinion, not a lot of companies on our islands know what ESG is really about. So, the first step would be to get educated about the subject and implement strategies with achievable goals, which can ultimately lead to concrete results.”

– Female, 35-44, Maltese national

¹⁴ Qualtrics n.d., Employee motivation and why it's important for organisations. Refer to [link](#).

¹⁵ A materiality assessment is a process used by organisations to identify and prioritise the E, S and G issues environmental, social, and governance issues that are most significant to the business and stakeholders i.e. understanding which E, S and G issues could impact business performance and long-term sustainability, as well as the interests of relevant stakeholders, including investors, customers, employees, and communities. As opposed to the traditional materiality assessment, the concept of a 'double' materiality assessment is used under the Corporate Sustainability Reporting Directive (CSRD), whereby two perspectives of materiality are considered: (i) impact materiality i.e. the impact of the organisation on the environment and society, and (ii) financial materiality i.e. the impact of external ESG issues on an organisation.



5 Stricter regulation and enforcement

Several employees and job seekers stressed the need for stricter regulatory measures, and better enforcement, to ensure that sustainability becomes an integral part of organisations. This is a global challenge and requires Governments and policy makers to work together with private corporations to ensure that sustainability-driven regulations achieve their objectives, while being proportional and fit for purpose. Such respondents suggested that regulations may be imposed by the EU and implemented in each Member State. Indeed, the new Corporate Sustainability Reporting Directive (CSRD) is expected to go a long way towards ensuring that large and listed companies report consistently on ESG governance, strategy, impact, risk and opportunity management, and metrics and targets, in effect driving real change across sectors.

“Organisations will only act if there is monetary benefit, be it through social media exposure, lower taxes, lower energy costs. Therefore, it is the Government that should regulate and enforce.”

– Male, 45-54, Maltese national

“I believe that in order for organisations to strive towards improving their ESG performance, they firstly need to ensure that their respective Social and Governance parts are optimised.” – Male, 18-24, Maltese national

“The thought process must shift from one of compliance or due to incentives, to being embedded as part of the company culture.”

– Male, 35-44, Maltese national

Under the new Corporate Sustainability Reporting Directive (CSRD), ESG reporting will become more consistent across the EU. The CSRD will be an important tool to increase corporate accountability and raise awareness on a company’s critical sustainability matters.



Andrea Sternisko

Head Partner, Accounting and Process Advisory, *KPMG Germany*
Member of the EFRAG Administration Board

10

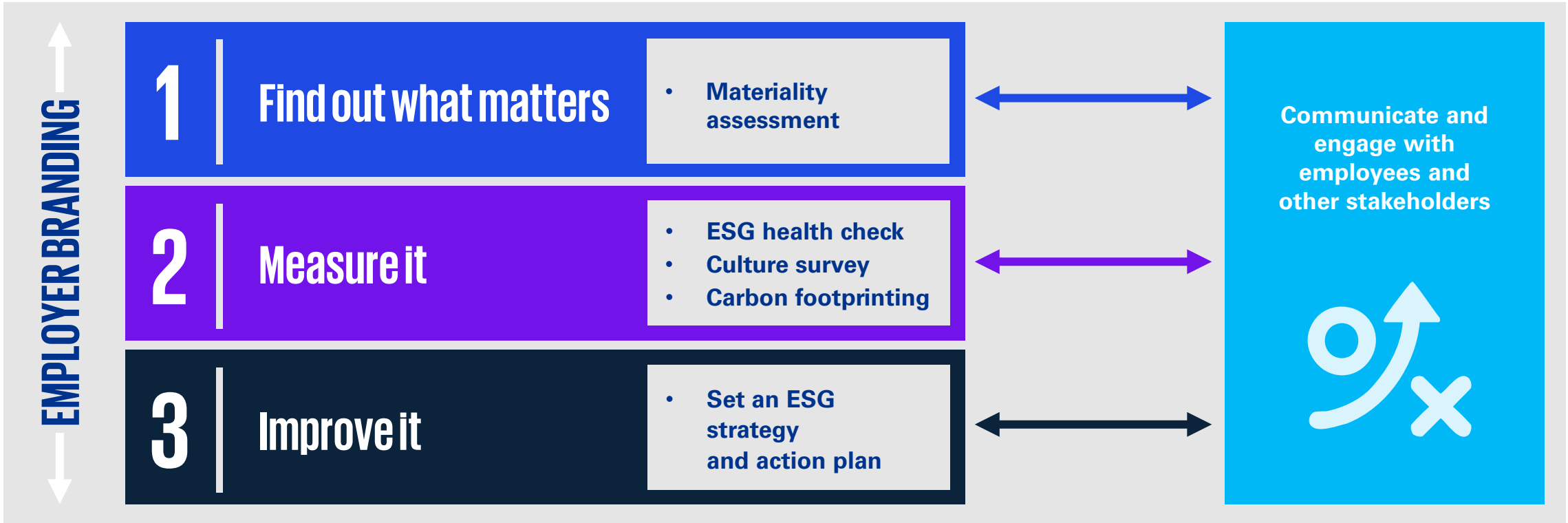
**Action points
for leaders**





KPMG Insights: Action points for leaders

We acknowledge that integrating ESG principles into your business requires effort. However, it is also worth noting that ESG serves not only as a tool for enhancing organisational performance but is also vital to secure the ongoing environmental, social and financial sustainability of your organisation and cannot be ignored. Below we propose a simple approach to ESG, underpinned by two-way communication with employees and other stakeholders, which can be used by leaders to make the first steps towards better ESG performance and position their organisation as the employer of choice. While the concept of ESG may appear daunting, small incremental changes can lead to sustained progress and contribute positively to our collective future.



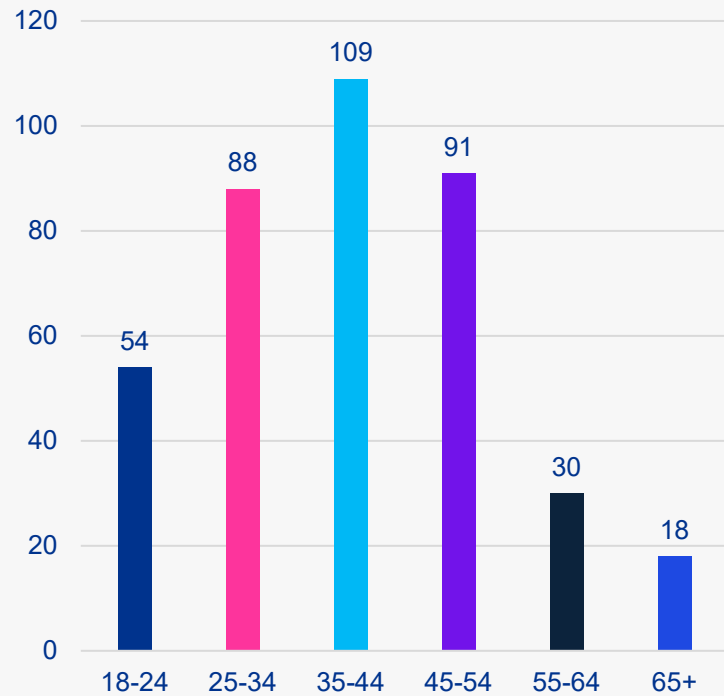
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Appendices

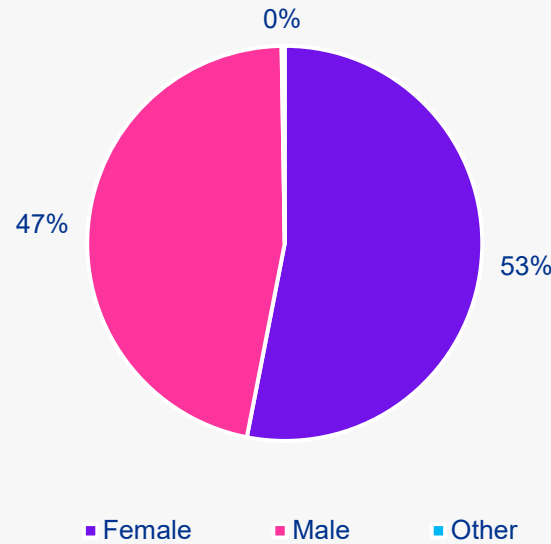


Appendix 1 – Respondent Data (1)

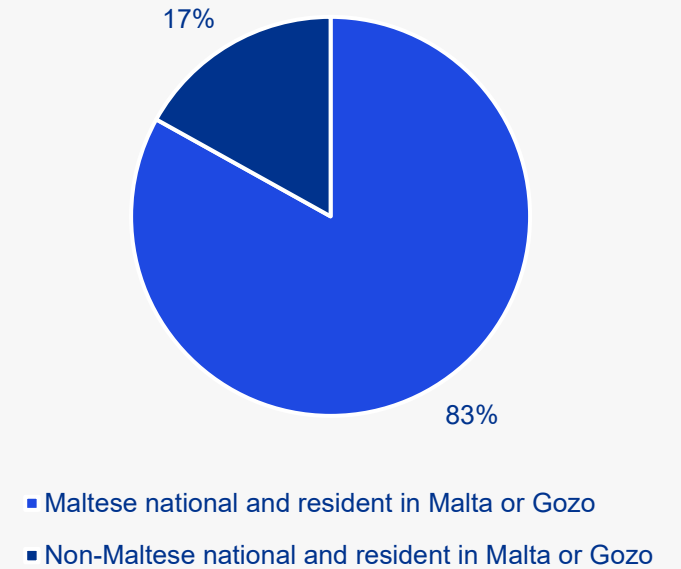
Age Groups (N = 390)



Gender (N = 390)



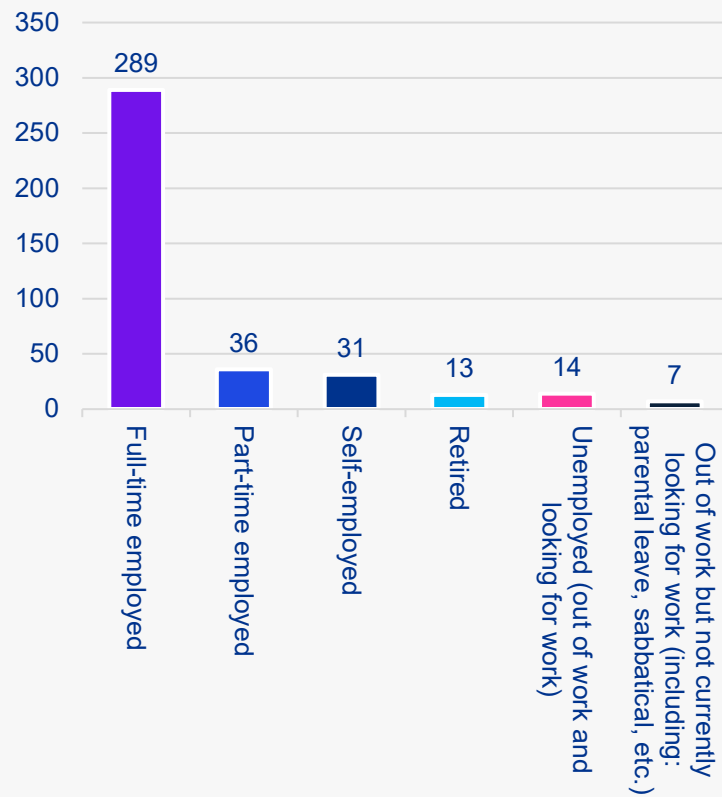
Nationality & Residency (N = 390)



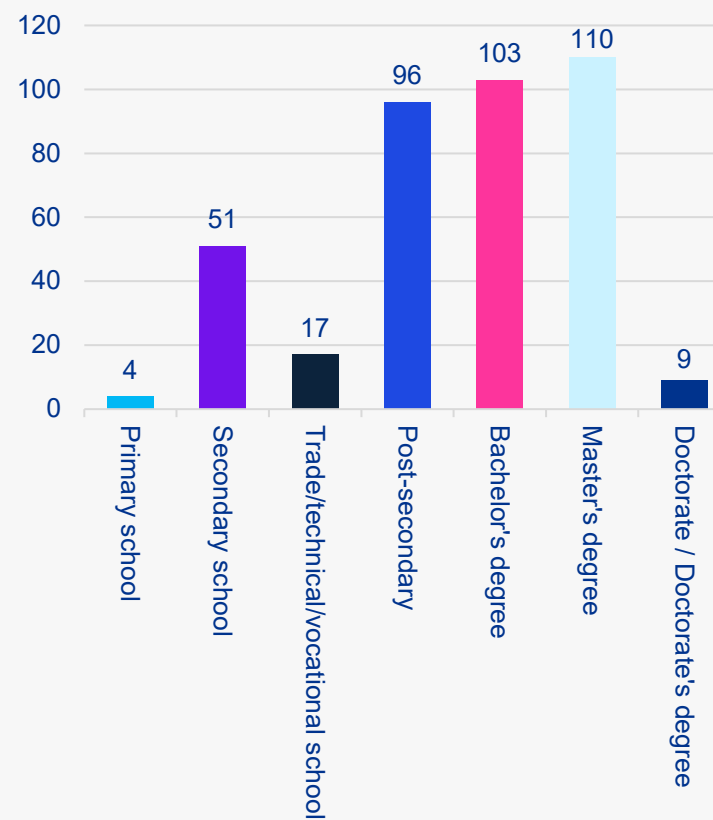


Appendix 1 – Respondent Data (2)

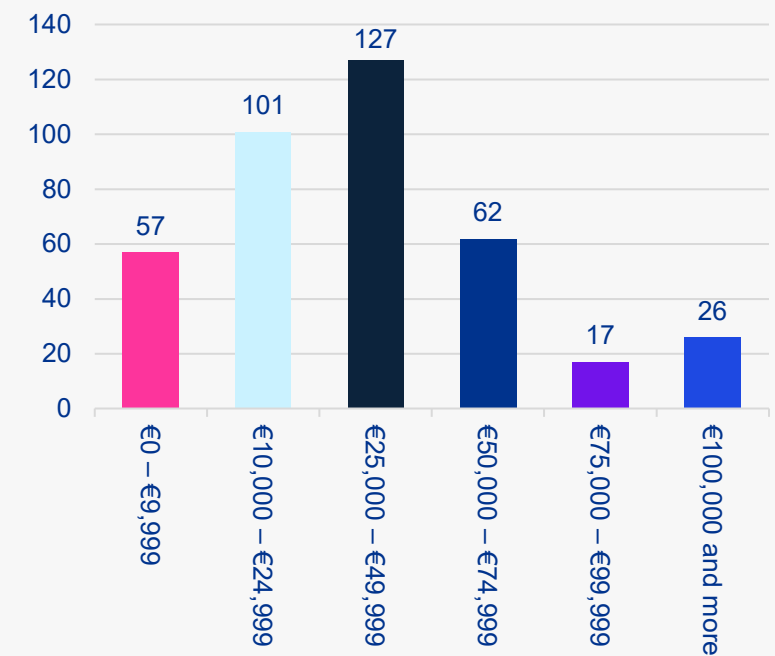
Employment Status (N = 390)



Education Level (N = 390)



Income Level (N = 390)





Appendix 2 – About KPMG (1)

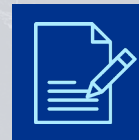
KPMG knows the power of ESG to transform your business. KPMG ESG Advisory can show you how to enhance trust, mitigate risk and unlock new value as you build a sustainable future.

KPMG Malta's ESG Advisory's solutions are both holistic and practical. With deep experience across critical issues — including climate change, decarbonisation, circular economy, IDE (inclusion, diversity and equity), wellbeing, culture, governance, ESG reporting and measurement — KPMG professionals help you create the right blueprint for your ESG journey. A blueprint that can simplify your strategy, guide its full implementation, and enable you to manage and report on your ESG journey.

KPMG professionals can go beyond strategy, working with you side-by-side at each step of your ESG transformation. With our industry-leading experience, data-driven technology and global alliances, you can turn insight into opportunity for your business, your people and our planet.

Because how you grow matters.

KPMG's ESG services include:



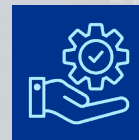
ESG Reporting

Calculation of carbon/greenhouse gas emissions, supporting companies with reporting of broader ESG metrics, and deploying digital solutions to facilitate data collection and ensure traceability and reliability of the data output.



ESG Transformation

Helping companies develop and refine their ESG strategy, supporting organisations in their decarbonisation process, ESG regulatory assessment and gap analysis, employee wellbeing and culture assessment, providing training, and deploying digital solutions to track progress against ESG targets.



ESG Assurance

Comprising assurance readiness services, and assurance over ESG and climate information.



Appendix 2 – About KPMG (2)

Working side-by-side with the KPMG Malta ESG Advisory team, the People and Change Advisory team help businesses make people decisions that make business sense. Our team of People and Change professionals can support you in putting your most important stakeholders, your people, front and centre in your ESG aspirations.

KPMG's People and Change services include:



People Analytics and Culture Transformations

Use of employee engagement or organisational culture assessments to tackle all aspects of workplace culture including: (i) assessing the current work experiences of your people, (ii) assessing the integration of ESG principles, or (iii) establishing a baseline for larger cultural transformations.



Talent Acquisition and Job Analysis

Supporting you to identify key job roles, leverage your employee value proposition, and locate top talent.



Change Management

Providing end-to-end change management expertise, supporting you to envision, evaluate, and execute your change strategies and initiatives, focusing on a people-centric approach to change success.



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