

Embracing Artificial Intelligence (AI) and Environmental, Social, and Governance (ESG) through People Transformation

KPMG in Malaysia

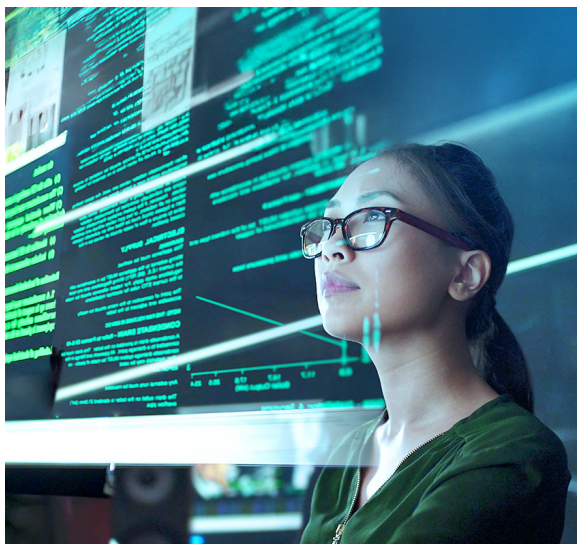


As organizations embrace Artificial Intelligence (AI) and Environmental, Social, and Governance (ESG) initiatives, discussions around their transformative impact on businesses have intensified. Both AI and ESG share a common purpose—helping businesses manage risks, drive growth, and enhance long-term sustainability.

The increasing adoption of AI is reshaping industries, influencing workforce structures, and presenting both opportunities and challenges in governance, ethics, and compliance. Simultaneously, ESG principles are redefining corporate responsibilities, pushing organizations to integrate sustainability and social impact into their core strategies.

To remain competitive and compliant, businesses must navigate these shifts effectively by investing in workforce transformation, ensuring employees are equipped with the skills and mindset needed for an AI-driven, ESG-conscious future.

The advancement of AI and its business implications



According to the World Economic Forum's Future of Jobs Report 2025, AI and automation will transform 86% of businesses by 2030, reshaping workforce demands and redefining required competencies.¹ The Malaysia AI Roadmap 2021-2025 outlines a national strategy to position Malaysia as a regional AI hub, emphasizing AI upskilling, digital transformation, and ethical AI governance.

Despite these advancements, Cisco's AI Readiness Index 2023 found that 87% of companies in Malaysia are lagging in AI adoption, highlighting the need for strategic workforce planning.² Additionally, AI-powered cybersecurity threats are increasing, necessitating stronger data governance and risk management frameworks.

At the same time, AI Agents—systems designed to automate decision-making and enhance customer experience—are gaining traction.

³ The KPMG AI Q4 Pulse Survey 2024 found that 51% of organizations are exploring AI Agents, with 80% planning to integrate Generative AI (GenAI) into formal business operations. However, key challenges include:

71% Data privacy and cybersecurity concerns

46% Employee adoption and skill gaps

To mitigate these risks, organizations must focus on human oversight, robust regulatory frameworks, and AI literacy training.

The evolution of ESG and workforce transformation

Malaysia's National Energy Transition Roadmap (NETR) aims for net-zero emissions by 2050, with projections of RM220 billion in foreign investments and 310,000 new jobs.⁴ The Global Green Skills Report 2023 highlights the growing gap between demand and supply of sustainability-focused workforce skills, emphasizing the need for retraining and upskilling.⁵

Additionally, regulatory changes are shaping ESG adoption. The European Commission's "Simplification Omnibus" proposal (Feb 2025) suggests revised ESG reporting timelines, providing businesses with more time to adapt to new sustainability standards.⁶ This shift reinforces the importance of embedding ESG-aligned employee well-being, diversity, and compliance strategies into corporate frameworks.

For businesses to remain resilient, organizations must integrate workforce transformation into their AI and ESG strategies—ensuring employees are equipped with future-ready skills and a sustainability-driven mindset.



Key challenges

As AI adoption accelerates and ESG expectations rise, organizations must address critical workforce challenges to ensure a smooth transition. Some of the workforce challenges include:



Skill gaps and workforce readiness

- Many employees lack the technical expertise to work alongside AI systems, leading to inefficiencies.
- The green economy demands new skill sets, yet many workers remain unprepared for sustainability-focused roles.



Leadership alignment and cultural shifts

- Business leaders must champion AI and ESG initiatives, ensuring alignment with organizational strategy and corporate values.
- A culture shift towards responsible AI usage and ESG-driven decision-making is needed but often faces internal resistance and operational challenges.



Ethical and regulatory considerations

- Employees must navigate ethical dilemmas in AI decision-making (e.g., bias, transparency, data privacy).
- Companies must balance AI-driven efficiency with ESG commitments, ensuring compliance with local and global regulations.



Employee engagement and change fatigue

- Rapid transformation efforts—whether AI-driven or ESG-focused—can lead to change fatigue and disengagement.
- Without clear communication and structured upskilling programs, employees may struggle to adapt to new expectations.



Talent retention and attraction

- As AI automates certain tasks, employees may fear job displacement, making retention strategies critical.
- Organizations need to position themselves as leaders in AI-driven innovation and ESG responsibility to attract top talent.

How KPMG can help

To address these challenges, KPMG's People and Change team can work with organizations to build a future-ready workforce through People Transformation:



Reshape the organization's strategic objectives and market practices, which involves aligning its structure and workforce with the new direction of the organization.



Develop training and upskilling programs to equip employees with the necessary skills to leverage AI technologies effectively and advocate for sustainability and ethical business practices.



Promote behavioral changes to foster a culture that understands the ethical implications of AI usage and champions responsible practices in both AI and ESG to meet the ever-evolving expectations of stakeholders.



To achieve success in this dynamic landscape, a holistic approach to business transformation—especially for its people—is imperative to empower employees and boost resilience in their daily operations. By building and empowering employees to navigate challenges in the business landscape, businesses can eventually elevate organizational performance, adaptability, and agility, paving the way for a future-proof organization.

As AI and ESG continue to reshape the business landscape, organizations must recognize that people are at the heart of meaningful transformation. AI enhances automation and efficiency, while ESG drives ethical and sustainable growth—but it is the workforce that ultimately determines success.

To thrive in this dynamic environment, organizations must invest in upskilling, change management, and realigning their structure and workforce. By placing people at the core of AI and ESG strategies, businesses can cultivate an agile, innovative, and resilient workforce.

Those that proactively align their talent strategies with AI and ESG will not only enhance their competitiveness but also drive long-term, sustainable growth. The future belongs to organizations that embrace transformation with a people-centric approach—ensuring that as technology and sustainability evolve, their workforce evolves with them.

1. World Economic Forum, [The Future of Jobs Report 2025](#), 7 January 2025.
2. Cisco, [Cisco's AI Readiness Index – Malaysia](#), 2023.
3. KPMG International, [KPMG AI Q4 Pulse Survey](#), 2024.
4. Ministry of Economy, [National Energy Transition Roadmap](#), 29 August 2023.
5. LinkedIn, [Global Green Skills Report 2023](#), 2023.
6. European Commission, [Commission simplifies rules on sustainability and EU investments, delivering over €6 billion in administrative relief](#), 26 February 2025.

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