

Shaping Malta's Future 2021

Government strategies to drive business sustainably

Grant Thornton | Malta

2021



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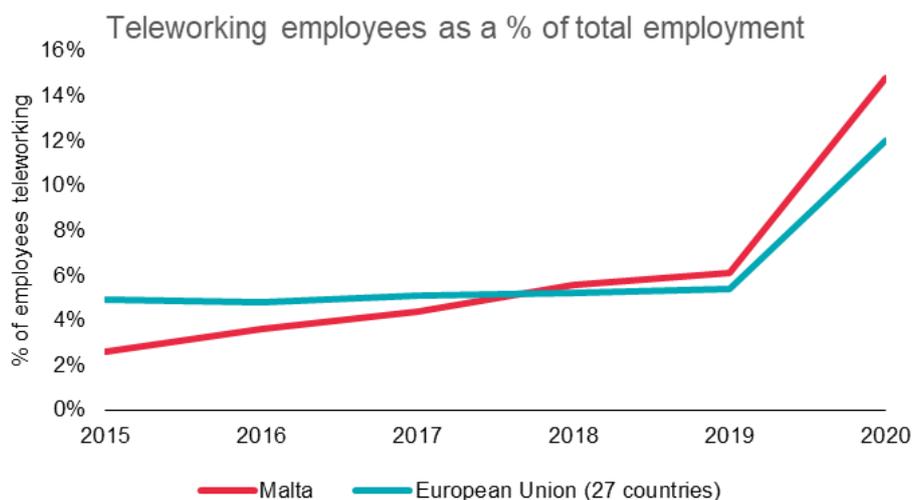
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Digital governance strategies to drive corporate sustainability

A 2020 study by McKinsey showed that in 2019, the average share of digital customer interactions amount to 32% of all customer interactions and the share of products and/or services that are partially or fully digitized make up for 34% of all products and services in Europe. Companies have accelerated the digitalisation of products, services, and customer interactions since the start of Covid-19.

In fact, in 2020, digital customer interactions increased to 50% of all customer interactions and the share of products and/or services that are digitised made up 55% of all products/services in Europe. Teleworking championed as an alternative to working from the office during the global pandemic. As per Eurostat figures, the rate of employees teleworking as a percentage of the total employed population, has increased from 4.9% in 2015 to 12.0% in 2020. This increase was mirrored in Malta, as the island experienced an increase of 12.2 percentage points during a five-year period, reaching 14.8% in 2020.



Source: Eurostat

Consequently, teleworking has made way for several positive externalities such as reduced traffic congestion and lowered pollution levels. However, teleworking has been quite challenging for some companies.

The latest 'Flash Eurobarometer' survey on SMEs published in 2020, deduces the barriers faced by EU SME's when trying to switch to a more digitalized practice of doing business. The survey consisted of more than 12,000 companies situated in the EU. The study shows that 62% of EU SMEs confront barriers to digitalisation and 70% say that they are facing at least one obstacle that prevents their enterprise from becoming sustainable.

Furthermore, 42% of the companies claim that the level of availability of support to help enterprises become more sustainable is poor.

Other barriers mentioned include the following:

- Uncertainty about future digital standards (24% of the surveyed companies).
- A lack of financial resources (23% of the surveyed companies)
- Regulatory obstacles (23% of the surveyed companies)
- Lack of skills (20% of the surveyed companies)
- IT security issues (20% of the surveyed companies)

The results validate the importance of the new SME strategy in contributing to an economic recovery in Europe after the coronavirus pandemic.

A great example of a digital strategy to obtain sustainability is Enevo, a company based in Finland which focuses on waste disposal. Its aim is to make collection of waste efficient by enabling waste companies to pick up waste only when the bins are full, rather than at a scheduled time. This allows companies which pick up waste to use less resources as there surely won't be any useless trips.

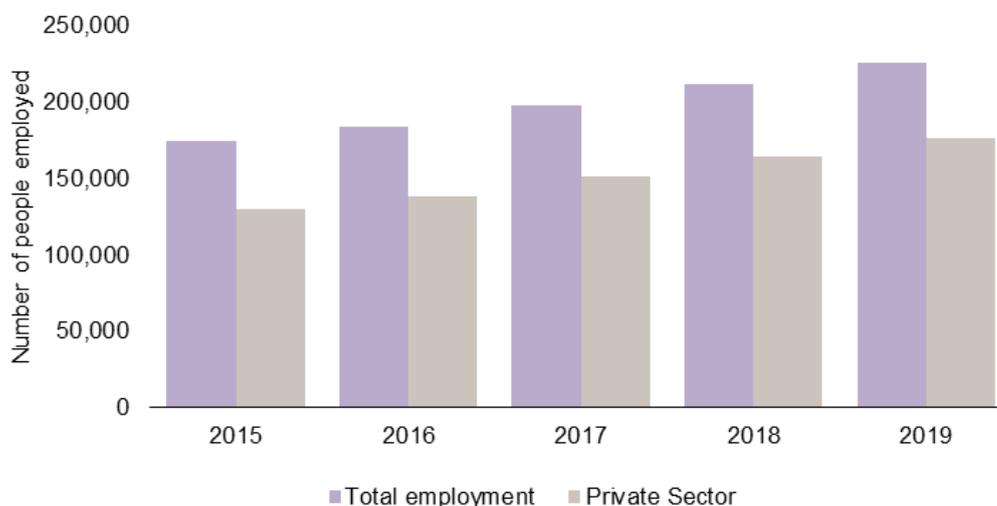
Apart from being more sustainable and efficient, Enevo is also contributing to the ongoing concern about waste management by collecting the data it gathers from the sensors and other technological devices in the waste bins. Using this data, it understands better waste generation, proactively manages solutions, continue decreasing costs and increases sustainability in the future. This is a great initiative which may encourage other companies to start being more sustainable. Obviously, in order to leave an impact, larger organizations had to step in, mainly the EU.

The EU has implemented digital governance strategies with the aim of driving business sustainability. The EU External Investment Plan (EIP), implemented in 2017, is a €4.5 billion initiative encouraging private investment for sustainable development projects through bank guarantees and technical assistance. Furthermore, the EU budget 2014-2020 (Multiannual Financial Framework) contained approximately €2 billion for private sector development. This development scheme, combined with development assistance from the EU countries, makes the EU a key player in supporting local private sector development in partner countries. The Malta Enterprise offers similar schemes such as the 'Smart and Sustainable Investment Scheme' focused on assisting companies to kick-start the investment cycle after the pandemic. This scheme has been introduced in 2021 and it highlights the policy direction in terms of new economic niches which the country intends to develop in line with the European Green Deal.

43 energy-service market stakeholder interviews were held in the UK, in order to explore the policies that have supported sustainability in the past and any measures that might be taken to address future barriers. Based on the results of the interviews, the authors make five key policy recommendations to support SMEs:

1. Balancing economic incentives with regulatory disincentives
2. Promoting indirect policy support, such as schemes to raise awareness of SMEs among suppliers and consumers
3. Redesigning existing market structures, such as making electricity trading arrangements more flexible
4. Promoting locally led SMEs activity, such as regulations that incentivise local authorities (and provide them with sufficient power) to support SMEs businesses
5. Creating stable policy frameworks avoiding sudden or large changes to regulation, so that firms and investors can be confident that the policy environment will be supportive of SME activity in the future.

Together with the EU, the Maltese private sector has a responsibility to work towards achieving sustainability. The chart below illustrates the number of private sector employees in comparison to the total working population in Malta. 2015 figures deduce that 74.6% of the total working population was employed within the private sector. This figure further increased to 78.4% in 2019, highlighting the crucial impact that the private sector has in terms of offering digital governance strategies for sustainable development.



This confirms the crucial responsibility that the private sector has for the country's economy and hence, the important role to play in achieving the Sustainable Development Goals and mitigating global sustainability issues.

Digitalization is key for the private sector; thus, it must play an outsized role in realizing this vibrant economy and ensuring everyone has access to digital tools like broadband, software, and technology. In fact, the 2030 Agenda for Sustainable Development has identified the private sector as a main partner in sustainable development. As a result, the World Economic Forum, which includes some of the most prominent CEOs around the world, launched the EDISON Alliance to cultivate partnerships between the government and the industry to enhance the case for rapid digital development. This works out as a key lever across the Sustainable Development Goals.

The digital world and business sustainability, work in congruence and many key stakeholders argue that they are dependent on one another. Primarily, the advances in technology led to businesses becoming more aware of the need for sustainability. All types of organisations and institutions must work together to identify new digital governance strategies which will push towards healthier corporate sustainable development, whilst being compliant with the aforementioned 'Sustainable Development Goals'.



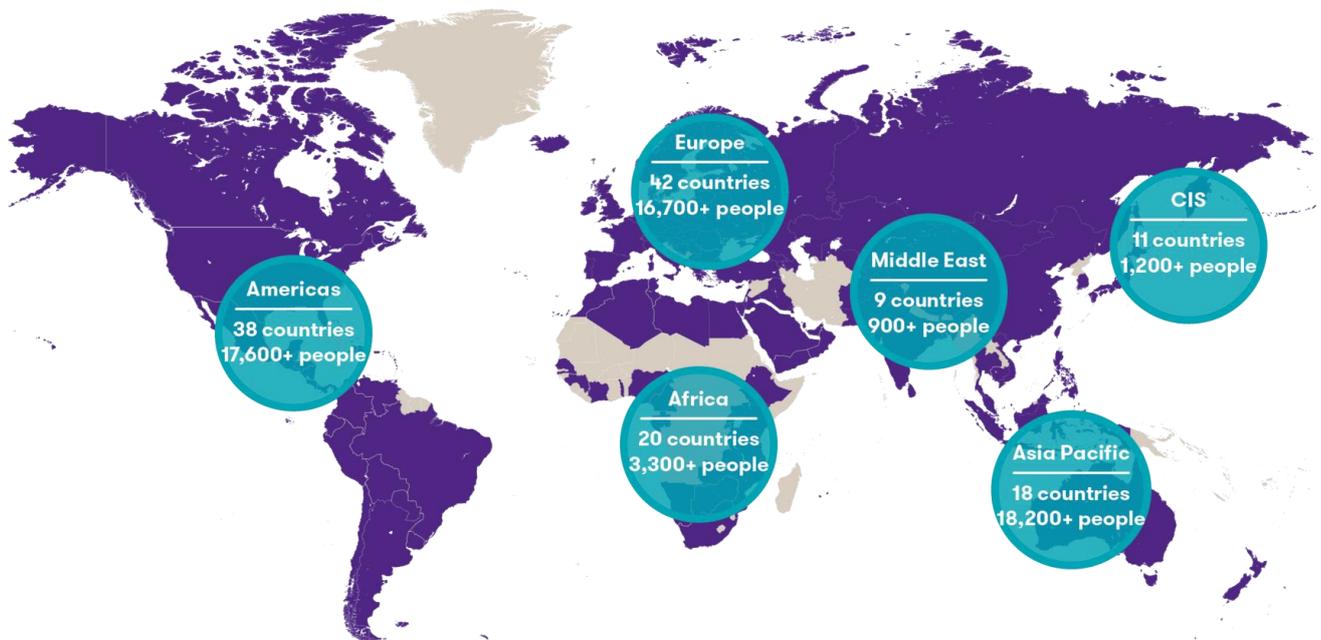
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(2020 revenue)



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138
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- regulatory services
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- business process outsourcing and consulting

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- project financing
- due diligence
- valuations
- foreign direct investment

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- operational and financial restructuring and reorganisation
- recovery

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- technology implementation
- blockchain technology
- fintech consultancy
- cyber security consultancy

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- global mobility services
- indirect tax advisory
- transfer pricing
- estate planning
- wealth advisory
- FATCA/CRS advisory and compliance
- IRS qualified intermediary advisory and compliance
- regulatory and legal
- corporate services
- ship and aircraft registration
- company formation
- financial regulatory services
- trust and fiduciary services

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- bookkeeping and financial accounting
- payroll and personnel administration
- direct and indirect tax compliance
- human resources
- compilation of financial statements
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- consulting and processing engagements
- family business consulting

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- economic impact assessments
- cost-benefit analyses
- cost effectiveness analyses
- value for money analyses
- public private partnership advisory
- public procurement advisory
- advocacy reporting
- evaluations of projects, policies and programmes
- strategy development
- product development costing and determination of pricing strategies
- market research
- survey design, collection and analyses
- ad-hoc engagements

Quantitative risk advisory

- ICAAP & ILAAP
- capital requirements
- ALM & Actuarial ALM
- stress testing (BASEL III / SOLVENCY II)
- independence reviews
- credit risk
- interest rate risk
- price risk (hedging)
- foreign exchange risk
- data mining
- data science
- Tableau dashboard
- data management
- statistics and data analytics
- remediation and anti-money laundering
- tool kit using research techniques

Other services

- assistance with EU and local funding
- marketing and communications consultancy
- brand development
- human resource consultancy

Contacts



Mark Bugeja
Managing partner
Partner | Assurance
T +356 9943 7890
E mark.bugeja@mt.gt.com



Sharon Causon
Partner
Audit and assurance
T +356 9985 2619
E sharon.causon@mt.gt.com



Austin Demajo
Partner
Tax
T +356 9943 7891
E austin.demajo@mt.gt.com



Chris Farrugia
Partner
Information technology
T +356 9982 9636
E chris.farrugia@mt.gt.com



Wayne Pisani
Partner
Tax and regulatory
T +356 9942 3253
E wayne.pisani@mt.gt.com



Alex Brincat
Director
Audit and assurance
T +356 7925 3947
E alex.brincat@mt.gt.com



Joseph Pullicino
Partner | IT, business risk
& Outsourcing
T +356 9949 9660
E joe.pullicino@mt.gt.com



Michael Agius
Associate Director
Tax services
T +356 9999 7891
E michael.agius@mt.gt.com



George Vella
Partner
Advisory
T +356 9982 3402
E george.vella@mt.gt.com



Russell Camilleri
Associate Director
Accounts and tax
T +356 7990 2975
E russell.camilleri@mt.gt.com



Oriana Abela
Partner
Capital markets
T +356 7961 7141
E oriana.abela@mt.gt.com



Michael Mifsud
Associate Director
People and culture
T +356 9999 0055
E michael.mifsud@mt.gt.com

Grant Thornton
Fort Business Centre, Level 2
Triq l-Intornjatur, Zone 1
Central Business District
Birkirkara CBD1050,
Malta

T +356 2093 1000
E grantthornton@gt.mt.com



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