

SPEECH BY MS INDRANEE RAJAH, MINISTER IN THE PRIME MINISTER'S OFFICE AND SECOND MINISTER FOR FINANCE AND NATIONAL DEVELOPMENT AT THE IVAS-IVSC BUSINESS VALUATION CONFERENCE 2022, THURSDAY, 6 OCT 2022, 1.45PM – 3.30PM (DELIVERY AT 2.00PM)

Mr Lie Kok Cheong, Chairman of Institute of Valuers and Appraisers Singapore (IVAS)

Mrs Lim Hwee Hua, Deputy Chair of the Board of Trustees, International Valuation Standards Council (IVSC)

Distinguished Guests

Ladies and Gentlemen

1. It is a great pleasure to be here with you today. After two years of not being able to have conferences, I think everyone is happy to be able to meet and greet. And, it is always a great pleasure to be with the industry because of the important work that we do.
2. This year's conference theme – 'Navigating New Frontiers To Create Sustainable Value' is especially pertinent to our changed circumstances, and that means post-Covid 19. The crisis brought upon us by the pandemic has greatly accelerated the sustainability agenda around the world.
3. While devastating in many respects, COVID-19 nevertheless gave us a glimpse of what the world could look like if we paid more attention to sustainability.
 - a. During the lockdowns around the world, nature experienced a resurgence; there were fewer cars on the roads, fewer planes in the air; industrial activity fell resulting in clearer skies and coal consumption shrank.
4. But the environment is, of course, just one aspect of the ESG equation.
 - a. The crisis also highlighted the importance of social and governance factors.

- b. As inequality rose and the workforce came under stress, countries and companies with stronger ESG propositions proved to be more resilient and able to adjust to the new normal.

ESG to value creation

- 5. But even as the case for ESG becomes ever more compelling, an often-asked question is – how can a strong ESG proposition translate to higher business value?
- 6. There are four ways in which ESG can lead to higher value creation.
- 7. First, a strong ESG proposition can help companies to drive topline growth by expanding their existing markets or tapping into new ones.
 - a. Consumers are increasingly demanding more sustainable products and services, and increasingly willing to pay more for them. While the extent may vary across different demographics and markets, the trend towards sustainable goods and services is undeniable.
 - b. Companies with stronger ESG efforts are also more likely to be able to attract new customers and retain existing customers.
- 8. Second, ESG can set companies on a path to cost reduction.
 - a. In recent months, inflation has been on the rise across the globe. Energy prices have spiked on the back of the Russia-Ukraine crisis, and raw material costs have also increased.
 - b. Companies that embraced energy efficiency and cutting of waste early would be in a much more advantageous position today, compared to those who are only now trying to get on the bandwagon, or those who haven't even started on the journey!
- 9. Third, a strong ESG proposition can help companies attract and retain talent, as well as spur greater productivity.
 - a. Employees are increasingly focused on the ESG initiatives and performance of the company that they work for. A study by Marsh & McLennan found that organisations with high employee satisfaction had ESG scores that were 14% higher than the global average¹.
 - b. A purpose-driven business can inspire employees to perform better and strengthen morale throughout the firm.

¹ https://www.marshmcclennan.com/content/dam/mmc-web/insights/publications/2020/may/ESG-as-a-workforce-strategy_Part%20I.pdf

10. And fourth, ESG can enhance investor confidence and access to financing.
 - a. Institutional investors are increasingly incorporating elements of ESG as a criterion in their decision-making process, as they evaluate investments.
 - b. Demand for ESG investments is growing rapidly. According to an analysis by Bloomberg, the total value of ESG investments is on track to exceed \$53 trillion by 2025², accounting for more than a third of global investments.

Integrating ESG lens into valuation

11. All in all, ESG looks set to be an important component of a company's value. Properly done, it can lead to higher value for enterprises. A study conducted by PwC found that companies with better ESG ratings indeed tend to receive higher valuations than those with average ESG ratings³.
12. The challenge going forward is being able to articulate and quantify the value of ESG. This is where professional valuers and accountants like yourselves play a critical role.
13. The field of ESG valuation is still nascent, but it will be critical to accelerate adoption of sustainability practices.
 - a. I am pleased to see that good progress has been made on this front, both within and beyond Singapore.
 - b. The Institute of Valuers and Appraisers Singapore (IVAS) has brought together key international Valuation Professional Organisations (VPOs), to develop a set of guidelines for ESG and intangible assets (IA) valuation, drawing reference from the International Valuation Standards (IVS).
 - c. IVSC has also issued several perspective papers on ESG and Business Valuation. Through these papers, IVSC aims to keep their members updated on the latest developments on ESG-related valuation approaches.
14. I hope that with a clearer set of ESG valuation guidelines, companies can also be more confident to integrate ESG considerations into their business models, knowing the value that ESG can bring to them.

Opportunities ahead

² <https://www.weforum.org/agenda/2022/01/what-is-sustainable-finance/>

³ <https://www.ivsc.org/pdfviewer/perspectives-paper-esg-standard/>

15. The growing demand for valuation especially in growth areas like ESG, means opportunities ahead for valuers.
16. To help individuals seize these opportunities, IVAS is committed to equip individuals with the necessary professional valuation knowledge and skills through the Chartered Valuer and Appraiser (CVA) programme.
 - a. Recently, the CVA programme was revised to take into account new developments in the valuation industry, such as the impact of ESG factors on valuation. The revised curriculum is also aligned with the latest International Valuation Standards (IVS) 2022.
17. I strongly encourage valuers to tap on the resources and opportunities available, to enhance your valuation knowledge and develop new capabilities in valuation.

Conclusion

18. In conclusion, let me say that ESG has the potential to be a huge growth area in the years to come. I urge everyone to keep pace with developments in the valuation and ESG space so that you can avail yourself of these opportunities.
19. With that, let me wish all of you a fruitful conference. I understand that you had a great session earlier today, and I am sure that you will continue to derive even greater insights for the rest of the conference. Thank you all very much.