

IVSC SRB Meeting Update January 2025

Items shown in bold italics should include links to the relevant documents

This IVSC Update highlights preliminary decisions of the IVSC Standards Review Board (Board). Projects affected by these decisions can be found on the ***IVSC Publication Schedule***. The Board's final decisions on IVS® Standards and Amendments are formally balloted as set out in the ***IVSC Standards Review Board Due Process and Working Procedures***.

The Board met remotely on the 29th of January 2025. The topics in order of Discussion were:

Contents

Administration

- IVSC SRB Hong Kong Meeting Update November 2024
(IVSC SRB Hong Kong Meeting Update November 2024)

Asset Board Updates

- BVB Update
- FIB Update
- TAB Update
(Final IVSC Perspectives Paper - ESG and Real Asset Valuation - Sept 2024)

Working Group Updates

(2024.01.25. IVSC SRB Working Groups)

- Academic Working Group Update
- Listed vs Unlisted Working Group Update
- Valuation Risk Update
- Use of Technology in Valuation Update
- ESG Working Group Update
- TIP and White Paper Working Group Update

IVS Standard Setting Working Groups

- Creation of IVS Standard Setting Working Groups
(E.g. Glossary Working Group)

Topic Forms

- BVB Topic Form on Reasonable Range
(2025.01.23 BVB Topic form Valuation Range (NK))

Perspectives Paper Review

- Perspective paper on public and private real estate markets
(SRB Meeting Wednesday 5th March (PM) to Friday 7th March 2025)

Toronto Meeting Agenda

- IVSC Toronto Meeting Discussion
(SRB Meeting Wednesday 5th March (PM) to Friday 7th March 2025)

Future Physical Meetings

- IVSC SRB Physical Meeting June 2025 – Prague
 - *Wednesday 11th June (PM) to Friday 13th June*
- IVSC SRB AGM 2025
 - *Location New Delhi*
 - *27th October – 1st November*

Administration

- AOB

The Board were asked if there were any conflicts of interest in relation to the proposed topics and no conflicts were declared.

Administration

IVSC SRB Hong Kong Meeting Update November 2024 (IVSC SRB Hong Kong Meeting Update November 2024)

The Board reviewed the IVSC meeting update and agreed that it was an accurate report of the Hong Kong meeting. There were no further revisions suggested, and the meeting update was approved by the SRB.

Next steps

None.

Asset Board Updates

BVB Update

The Board was advised that the BVB had a good meeting in Hong Kong.

The Board was further advised that since the Hong Kong meeting the BVB had two further meetings in December and January.

The Board was also advised that the main focus of the meeting was digesting the responses from the IVS Agenda Consultation.

The Board was informed that the BVB also focussed on the following key topics:

- ESG
- Use of Technology in Valuation
- Valuation Risk

The Board was further informed that the BVB was also focussed on reasonable range and had submitted a topic form .

The Board was also informed that this was a later agenda item and therefore would provide further detail on this item later.

The Board was advised that the BVB was also focussed on publication of further perspectives papers during 2025 and potential revisions to IVS.

Next steps

None.

FIB Update

The Board was advised that the FIB was focussed on the following topics:

- Outreach
- Illustrative Examples/FAQs
- IVS 500 and Valuation Adjustments

The Board was further advised in relation to these topics as follows:

Outreach

The Board was advised that the FIB had identified organisation with shared objectives such as the IACPA and banking regulators.

The Board was further advised that the FIB was preparing a list of key stakeholders and would share this list with the Board in due course.

The Board was also advised that due to the variety and range of potential stakeholders and intended users this was quite complicated and currently a work in progress.

Illustrative Examples/FAQs

The Board was advised that the FIB had been considering Illustrative Examples and would be discussing this further in their forthcoming conference call.

The Board was further advised that it was hard to ascertain suitable topics for Illustrative Examples when the FIB had received no questions on IVS 500.

The Board was advised that the FIB aimed to have a draft Illustrative Example to share in the next few months.

IVS 500 and Valuation Adjustments

The Board was advised that the FIB had been reviewing the section within IVS 500 on Valuation Adjustments as they felt that some of the language used within

this section was open to interpretation and therefore some revisions was required to provide further clarity.

The Board was further advised that the FIB aimed to discuss this issue further in Toronto.

The Board was also advised that the FIB felt that only minor revisions were required to provide additional clarity.

Other topics

The Board was advised that the FIB discussed the fact that US IRS have now incorporated in their potential revised code that valuers must use USPAP or IVS.

The Board was further advised that the FIB was still trying to uncover the source of this change but as yet had not uncovered the reason for this change.

Next Steps

FIB to provide example FAQ at the SRB Toronto meeting.

TAB Update

The Board was advised that the TAB did not meet in January 2025.

The Board was further advised that though the TAB had met in December the TAB had focussed on TAB working group meetings during January.

The Board was also advised that over the past four weeks the TAB working groups had focussed on the following topics;

- 1) Whether the TAB should revise the IVS tangible asset sections relating to site inspection post the publication of the Inspection perspectives paper.
- 2) Challenges in relation to the sections on Valuation Review.
- 3) AI from a tangible assets perspective
- 4) Revision to IVS 400 and IVS 41) with the aim of merging the two chapters.

The Board was informed that the TAB had also participated in the ESG, Valuation Risk and Listed vs Unlisted perspectives papers.

The Board was further informed that the TAB had been arranging guest speakers for the Toronto meeting on the following topics:

- AI
- ESG and Financial Reporting
- Valuation Modelling and how the Big 4 incorporate AI and automation in the valuation process.

The Board was also informed that the following TAB working groups would be meeting over the next 4 weeks;

- 1) TAB IVS 400 and IVS 410 Working Group
- 2) TAB AI Working Group
- 3) TAB Inspection Working Group
- 4) TAB Valuation Review Working Group

The Board was advised that the TAB had provided a lot of market outreach during January 2025 and had provided weekly presentations to the AaRVF on each of the TAB chapters.

The Board was further advised that the TAB had also discussed the inclusion of the use of IVS within US IRS.

The Board was also advised that the TAB had prepared an excel spreadsheet to help coordinate outreach carried out by various TAB members.

Next steps

None.

Perspective Paper Review

Perspective paper on public and private real estate markets (2024.10.08.IVSC - Perspectives Paper - Exploring the divergence in public and private real estate markets – Clean)

The Board was advised that though the perspectives paper was focussed on REITS and tangible assets valuation a number of issues raised in the paper were shared with the BVB and FIB.

The Board was further advised that the paper had been revised to ensure that it carved out the issue in relation to the difference between the value of the REITS and the value of the assets contained within it.

KH advised that in the NY meeting it was noted that a lot of the items referred to not only crossed real estate and infrastructure but also crossed other asset classes.

KH further advised that the TAB was asked to refine the topics to ensure that it referred to real estate.

KH also advised that in light of these comments the perspectives paper had been slimmed down to be more real estate focussed as the SRB did not want all the issues contained within one perspectives paper.

KH added that he wanted to get the perspectives paper into the market asap in order to give the market the opportunity to respond.

KH further added that he wanted the survey to include questions, but the questions had not been added yet as the TAB wanted to get the general contents and direction of the travel approved prior to framing the consultation question.

Further to discussion the SRB agreed that the perspectives paper should be shared with the other boards for consideration and review.

Next steps

Perspective paper on public and private real estate markets to be shared with the Asset Boards for consideration and review.

Working Group Updates

(2024.01.25. IVSC SRB Working Groups)

Academic Working Group Update

The Board was advised the Board that FW, MB, DS, NK, JC and AA had an Academic Forum premeeting on the 27th January to discuss the scope and format of the Academic Forum.

The Board was further advised the Board that the Academic Forum was being chaired by MB and FW and that their first meeting was on Monday 3rd February.

The Board was also advised the Board that the premeeting was focussed on the purpose and challenges of the Academic Forum.

The Board was informed the Board that the working group was meeting on Thursday 30th January.

The Board was further informed the Board that the main purposes of the meeting would be discussing the draft terms of reference and ensuring that there were no overlaps with the Academic Forum.

The Board was also informed the Board that the working group would also be discussing potential topics for the Academic Forum to consider.

The Board questioned the necessity for the existence of both groups and the purpose of each working group and whether there was some crossover.

The Board was advised that he saw both groups as having a different role and further advised that the role of the working group was to bring ideas from the academic world on key topics (i.e. AI and ESG) to the Board, Asset Boards and working groups.

The Board was further advised that the Academic Forum would provide the Academic Forum with key topics to discuss.

The Board was also advised that another goal of the working group was to take ideas from academics on key topics and where practicable integrate these ideas within IVS.

The Board was informed that the Academic Forum would meet on a quarterly basis and was a Forum to bring Academics together to discuss key issues.

Next Steps

JC to provide the SRB with a presentation on the Academic Forum at the IVSC SRB Toronto Physical meeting.

Listed vs Unlisted Working Group Update

The Board was advised that further to comments received from the SRB in Hong Kong the working group had been focussed on making revisions to the draft perspectives paper.

The Board was further advised that the next meeting of the working group was on Thursday 30th January.

The Board was also advised that the working group was aiming to have a revised version of the perspectives paper for the SRB to consider for publication at the SRB Toronto Physical Meeting.

Next steps

Revised perspective paper to be sent to the SRB for consideration at the Toronto meeting.

Valuation Risk Working Update

The Board was advised that since the SRB Hong Kong Meeting the working group had been focussed on making revisions to the perspectives paper.

The Board was further advised that HO and DS had been working on revising the perspectives paper after feedback received from several different parties.

The Board was also advised that this was a broad topic which incorporated valuation risk, valuation uncertainty and reasonable range.

The Board was informed that the working group would not include all these topics in one perspectives paper.

The Board was further informed that the proposed series of perspectives paper to examine this issue would deal with the following topics:

- Paper 1: Valuation process
- Paper 2: Uncertainty in results on value
- Paper 3: So what (i.e. what a valuer should do)

The Board was also informed that this issue crossed all asset classes and that there had been good collaboration between the Boards.

Next steps

Revised perspective paper to be sent to the SRB for consideration at the Toronto meeting.

Use of Technology in Valuation Working Group Update

The Board was advised that further to discussion on the draft perspectives paper at the SRB Hong Kong meeting the working group had invited further external specialists to provide presentations on the use of AI in valuation.

The Board was further advised that the working group discussed professional judgement and professional scepticism within the context of AI.

The Board was also advised that the working group had considered a number of documents including the recent PwC survey and the Capital IQ document on the use of AI.

The Board was informed that the next meeting of the working group was on 11th February.

The Board was further advised that the working group was considering potential revisions to IVS 101, IVS 104, IVS 105 and IVS 106.

The Board was also advised that in respect of IVS 101 and IVS 106 the working group was considering revising these sections to include the requirement for the valuer to state where AI was used in the valuation process.

The Board was also advised that in respect of IVS 104 and IVS 105 the Board was considering including further sections on review and challenge of all valuation models.

The Board was informed that the working group felt that quality control and monitoring performance were key elements when considering the use of AI in valuation.

The Board generally discussed the use of AI in valuation and felt that IVSC needed to be forward looking when considering the use of AI in valuation as to a certain extent it was already being used in the valuation process.

The Board was advised that many firms were already using AI for data management and data cleansing.

The Board was further advised that most large firms had teams who were considering the use of AI and Technology in the valuation process.

The Board was also advised that the working group was aiming to have a revised version of the perspectives paper for the SRB to consider for publication at the SRB Toronto Physical Meeting.

Next steps

Revised perspective paper to be sent to the SRB for consideration at the Toronto meeting.

ESG Working Group Update

The Board was advised that the ESG survey results perspectives paper had just been published.

The Board was further advised that the working group was now considering whether an additional perspectives paper on this topic would be helpful.

The Board was further advised that the ISSB would be issuing further standards on ESG.

The Board was also advised that the market was looking for illustrative examples on quantitative disclosure of ESG and this was something that the working group was considering.

Next steps

None.

TIP and White Paper Working Group Update

The Board was advised that working group had merged the Code of Ethical Principles for Professional Valuers with the Competency Framework.

The Board was further advised that since the SRB Hong Kong meeting the perspectives paper had been sent to the Advisory Forum for consideration and review.

The Board was also advised that the working group was considering comments received from the Advisory Forum and where applicable were revising the paper accordingly.

The Board was informed that once these comments had been reviewed the paper would be sent to the IVSC publishing team for publication.

Next steps

The revised "*Code of Ethical Principles for Valuers*" to be sent to IVSC Publishing team for publication post revisions emanating from comments received from the Advisory Forum.

IVS Standard Setting Working Groups

Creation of IVS Standard Setting Working Groups

The Board generally discussed the creation of a Glossary working group to discuss potential revisions to existing Glossary definitions such as price, value and valuation and the creation of new definitions such as quality control.

The Board noted that comments received from the publication of perspectives paper on topics such as valuation risk would aid this process.

The Board discussed whether this could be done at SRB level or whether a separate working group was necessary.

The Board considered that the creation of a working group was helpful as the working group could do the heavy lifting quicker.

The Board asked the Asset Board chairs to bring suggestions for additional terms to be included in the Glossary so these could be discussed at the Toronto meeting.

The Board discussed whether the creation of a table, as shown below for all glossary terms would be helpful.

Word	Current Definition	Driver for change	Revised Definition	Comment

The Board felt that this would be a good idea and would also aid the drafting of a future basis of conclusion.

The Board discussed using open-sourced AI to see whether the Glossary definitions were used consistently throughout IVS.

The Board discussed this further and felt that though this may be helpful some degree of caution was required though it may be possible to use open-sourced AI for a high-level review.

Further to discussion it was agreed that the creation of a Glossary working group should be discussed further in Toronto.

Next steps

The creation of an IVSC SRB Glossary working group to be included as an agenda item for the IVSC SRB Toronto meeting.

Topic Forms

BVB Topic Form on Reasonable Range

The creation of an IVSC SRB Glossary working group to be included as an agenda item for the IVSC SRB Toronto meeting.

RS advised that the reasonable problem statement was as follows:

“Depending on the intended use, the jurisdiction and other constraints of a valuation, Valuation conclusions for businesses and intangible assets may be expressed either as a point estimate or a range of values. No guidance or standards exist, IVS or otherwise, for the derivation or the communication of ranges.

Discussions within the BVB indicate diversity of practice around:

- 1. The opportunity to use a range versus a point estimate,*
- 2. In the methods or approaches for the derivation of ranges,*
- 3. Disclosure regarding how ranges are derived, and*

4. *What the range is intended to capture or represent?*

Further potential related topics include:

5. *Depending on the intended use of the valuation, are there limits to the acceptable amplitude / dispersion of the range?*

6. *In the context of a valuation for whose intended use is Financial Reporting, what is the relationship between the valuation range and materiality thresholds contained in financial reporting Standards?"*

The Board advised that this problem was not unique to BVB and that both financial instruments valuation and tangible assets valuation had similar issues.

NK accepted this but stated that this was a common issue in Business valuation and would often form part of business valuation reports.

NK added that the way reasonable range was disclosed in a valuation report was often quite arbitrary with no information on how the range was calculated.

The Board advised that the notion of reasonable ranges was already discussed in the IVSC SRB Valuation Risk working group and the working group were already considering valuation uncertainty and reasonable range.

The Board further advised that this topic was already being considered by the IVSC Valuation Risk working group in which the BVB participated.

The Board also advised that the first perspective paper in the series was nearly completed and would include consultation questions.

The Board informed that reasonable range would be a future topic in the series and would also consider disclosure.

DS advised that he had already been discussing this issue with HO and considered that the issue of reasonable range was a quantification issue and would be dealt with in a subsequent valuation risk perspectives paper.

The Board generally felt that the issue of reasonable range was not BV specific and was pre-emptive when considering the broader effort on valuation risk.

The Board commented that the Topic Form on the topic was well written and highlighted the key issues and many of the goals of the Valuation Risk working group.

SD highlighted that it may be worth reviewing some of the agenda consultation responses as some stakeholders were concerned about IVS including valuation risk, valuation uncertainty and reasonable range within IVS as this could cause issues with litigation.

NK agreed that BVB did not to work on the same topic as the IVSC SRB Valuation Risk working Group as this could cause market confusion.

RS accepted that reasonable range was a shared issue but raised concerns over the potential timetable for a perspectives paper on this topic when it was a current market issue.

DS commented that if the intended message is that if you use a reasonable range the valuer should be clear on the extent of the reasonable range and how it is calculated then this is a disclosure issue, which could be dealt with in future revisions to IVS.

DS further commented that it was important that the Boards did not provide multiple messages on the same issue with different vocals and language as this could cause confusion.

DS also commented that there needed to be a series of perspectives papers on this issue as the Boards needed to educate stakeholders on the issues around valuation risk and also needed market input on issue.

The Board further discussed additional disclosure within IVS in relation to reasonable range and agreed that this could be a worthwhile addition.

The Board was advised that the first paper in the series on Valuation Risk was related to the Valuation process and subsequent perspectives papers in the series would consider valuation uncertainty and reasonable range.

The Board further discussed the issue of disclosure and considered that addition to reasonable range there were a number of topics around this issue.

Further to discussion it was agreed that reasonable range was largely a disclosure issue and suggested that the BVB could propose revisions to IVS on the disclosure of reasonable range for the Board to consider.

Next steps

BVB could propose revisions to IVS on the disclosure of reasonable range for the Board to consider

Perspectives Paper Review

Perspective paper on public and private real estate markets

The Board noted that this topic had already been discussed under the working group update and therefore no further update was required.

Next steps

None.

Toronto Meeting Agenda

IVSC Toronto Meeting Discussion

- *SRB Meeting Wednesday 5th March (PM) to Friday 7th March 2025*

The Board was asked to provide SD and AA with any topics to include on the Toronto meeting agenda.

The Board was asked to send AA their Toronto hotel details.

Next steps

SRB to send SD and AA any potential topics to include on the Toronto Agenda and to advise them of their hotel details.

Future Physical Meetings

IVSC SRB Physical Meeting June 2025 – Prague

- *Wednesday 11th June (PM) to Friday 13th June*

The Board was advised that the next physical meeting would be in Prague between the 11th and 13th June 2025.

The Board was further advised that Tomas Krabec of the FIB would be hosting the meeting.

The Board was further advised that the meeting would be held at the Prague University of Economics and Business and that the meeting location was as follows:

*Prague University of Economics and Business
Winstona Churchill 1938/4,
120 00 Praha 3-Žižkov,
Czechia*

The Board was also advised that they would be sent hotel recommendations in due course.

Next steps

None

IVSC SRB AGM 2025

- *Location New Delhi*
- *27th October – 1st November*

The Board was advised that the next IVSC SRB AGM would be held in Delhi between the 27th October and the 1st November.

The Board was further advised that arrangements were still being made but details would be sent in due course.

Next steps

None

Administration

AOB

There was no other business, so the chair closed the meeting.