

IVSC SRB Meeting Update July 2024

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 31st of July 2024. The topics in order of Discussion were:

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(IVSC SRB London Meeting Update June 2024)

Asset Board Updates

- BVB Update
- FIB Update
- TAB Update

IVS Agenda Consultation Update

- IVS Agenda Consultation 2024 Update
(IVSC Agenda Consultation 2024 Final)

ESG Survey

- IVS ESG Survey Results
(2024.07.26. IVSC ESG Survey Responses Full List and 2024.07.26. ESG Summary of Responses Preliminary Presentation)

IVS Effective 31 January 2028 Publication Schedule

- IVS Effective 31 January 2028 Publication Schedule
(2024.07.26.IVS Effective 31 January 2028 Publication Schedule)

IVSC Hong Kong AGM Agenda Discussion

- Hong Kong AGM Agenda Discussion
 - *Thursday 21st and Friday 22nd November 2024*
 - *IVS Agenda Consultation Update*
 - *Updates to Other Boards (Advisory Forum, GMSRC, Trustees)*
 - *Public Meeting*

- *Speakers?*

Working Group Updates

(2024.07.26. IVSC SRB Working Groups)

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

Future Physical Meetings

- IVSC SRB Physical Meeting March 2025 - Location Toronto
 - *SRB Meeting Wednesday 5th March (PM) to Friday 7th March*
- IVSC SRB Physical Meeting June 2025
 - *Wednesday 11th June to Friday 13th June*
- IVSC SRB AGM 2025
 - *October/November (date to be confirmed)*
 - *Location potentially changed to Europe or Asia (Germany or India)*

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 Meeting Update June 2024 (IVSC SRB London Meeting Update June 2024)

The Board reviewed the IVSC meeting update and agreed that it was an accurate report of the 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 not met this month as the majority of European BVB members were on their summer vacation.

The Board was further advised that further to comments received from the Board the BVB had now submitted their response to the *"IASB IFRS 3 Exposure Draft."*

The Board was also advised that the BVB had outreach from the UK Endorsement Board (UKEB), who wanted to discuss power purchase agreements with the BVB.

The Board was advised that the existing guidance in relation to power agreements was not clear.

The Board was further advised that this topic related to both the Business Valuation Board and the Financial Instruments Board.

The Board was also advised that BVB was currently reviewing standards and providing comments on renewables and generation capacity.

The Board was advised that the BVB had considered drafting a joint BVB and FIB perspectives paper on this topic.

The Board was further informed that the BVB was finalising a Capstone Perspectives Paper on Intangible Assets, which was due to be published shortly.

Next steps

None.

FIB Update

The Board was advised that the FIB had spent the majority of their last meeting discussing the *"IVS Effective 31 January 2028 Publication Schedule"* timeline.

The Board was further advised that the FIB had divided themselves into separate working groups, who looked at potential financial instruments timelines and saw how these fitted into the broader calendar.

The Board was further advised that the workstreams progress had slowed slightly during the summer months.

The Board was informed that the FIB was currently targeting speaking engagements and organisations with a view to providing some further presentations.

The Board was further informed that the FIB had been considering suitable topics for FIB FAQ's.

The Board was also informed that most of the proposed FAQs were macroeconomic in nature and quite complicated.

The Board was advised that the FIB was in the process of preparing a simple FAQ to be considered by the Board to get the green light to prepare further FI FAQs.

The Board was further advised that that the FIB discussed several specific topics including green power purchase agreements and was considering drafting a perspectives paper on this topic.

The Board was also advised that the FIB was considering suitable topics for market engagement and discussing the best forums for this engagement.

The Board was informed that as part of these discussions the board was considering *"what is the best message?"* and *"where to deliver it?"*

The Board was also informed that the FIB had already targeted some key stakeholders and was in the process of prioritising these stakeholders.

Next steps

FIN to prepare sample Financial Instruments FAQ to be considered by the FIB.

TAB Update

The Board was advised that the TAB had recently published an Inspections Perspectives Paper that had been well received in the market.

The Board was further advised that KH, SKD and AA had recently provided a webinar on this topic to the AaRVF (Indian VPO) and that there were approximately 200/300 attendees.

The Board was also advised that the TAB was in the final stages of drafting a Perspectives Paper on ESG and Real Estate Valuation.

The Board was informed that the TAB was aiming to have finalised this perspectives paper in advance of the next SRB conference call on the 26th of August 2024, so this paper could be reviewed by the SRB for publication.

The Board was further informed that further to feedback from the ESG survey several respondents had commented that they felt that the consideration of ESG required new valuation approaches and methodologies.

The Board was also informed that the Perspective Paper was titled "*Perspectives Papers: ESG & Real Asset Valuation – Sharpening the focus, not reinventing the wheel*" and was the second paper in the TAB ESG Perspectives Paper series.

The Board was advised that the TAB would share the draft ESG Perspectives Paper with the Technical Boards for consideration and review in advance of the next TAB conference call.

The Board was further advised that the TAB had continued to move forward on the Listed vs Unlisted Perspectives Paper and was currently reviewing comments received from DS, IJ and AA.

The Board was also advised that the Listed vs Unlisted Perspectives Paper had also been sent to the Tim Deal for consideration and review.

The Board was informed that the TAB had set up a call with KH, IJ, TD and DS to discuss next steps.

The Board was further informed that the TAB was considering turning the Listed vs Unlisted Perspectives Paper into a series of Perspectives Paper starting off with Real Estate so the paper could examine key issues and would be more digestible by key stakeholders.

The Board was also informed that the TAB was still in the process of revising the Prudential Value Perspectives Paper, but this paper had been put on the back burner while the TAB considered more pressing matters.

The Board was advised that the TAB had reached out to Ian Carruthers, David Watkins and Dave Warren of the IPSASB and had set up a call to discuss ways of working closer together and collaborating on shared issues.

The Board was advised that the TAB had been reviewing results of the ESG Survey and had consider the responses when revising the ESG Perspectives Paper.

Next steps

AA to send a copy of the *"Perspectives Paper: ESG & Real Asset Valuation – Sharpening the focus, not reinventing the wheel"* to the Technical Boards for consideration and review. TAB to finalise the ESG and Real Estate Valuation Perspectives Paper so it could be considered by the SRB at the next conference call on the 26th August 2024.

IVS Agenda Consultation Update

IVS Agenda Consultation 2024 Update (IVSC Agenda Consultation 2024 Final)

The Board was advised that the Agenda Consultation was published on 11 July 2024.

The Board was further advised that the Agenda Consultation included the following key topics current topics and future topics:

Key Topics

- Environmental, Social and Governance (ESG)
- Technology in Valuation
- Valuation Risk

Agenda Consultation: Current Topics (0 to 2 years)

(Perspectives Papers due to be published in the next two years or potential topics to be incorporated in the next edition of IVS)

- Capital Structure Considerations
- Digital Assets
- Discounts and Premia
- Investigations and Evidence
- Internally Generated Intangible Assets
- Model Calibration
- Private vs Public Markets
- Prudential Value for Immovable Assets
- Trophy Assets
- Valuation Adjustments for Financial Instruments
- Weighting of Inputs and Outputs

Agenda Consultation: Future Topics (beyond 2 years)

(Perspectives Papers due to be published beyond the next two years or potential topics to be incorporated in IVS)

- Agricultural and Plantation Land /Biological Assets
- Bases of Value
- Compulsory Purchase
- Early-Stage Businesses
- Insurance Valuations
- Quality Control and Individual Valuer
- Transfer Pricing
- Valuation Reviews

The Board also advised that the Agenda Consultation was subject to a 90-day consultation from 11 July 2024 until 9 October 2024.

The Board was informed that the IVSC would be providing presentations on the Agenda Consultation during to all world regions (as per IVS presentations) during early September 2024.

Next steps

AA to provide an update on the Agenda Consultation responses received so far and to prepare a draft Agenda Consultation presentation.

ESG Survey

IVS ESG Survey Results (2024.07.26. IVSC ESG Survey Responses Full List and 2024.07.26. ESG Summary of Responses Preliminary Presentation)

AA and RH presented the results of the ESG Survey and advised there had been 542 responses to the IVSC ESG Survey.

AA advised that 85 countries had responded to the ESG Survey and the responses by World region were as follows:

- Africa: 8%
- Central America: 5%
- East Asia: 5%
- Europe: 28%
- Middle East: 3%
- North America: 25%
- Oceania: 5%
- South America: 6%
- South Asia: 11%
- South- East Asia: 4%

AA further advised that most respondents worked in Business Valuation and Intangible Assets Valuation and Tangible Assets Valuation.

RH also advised that most respondents perform or review valuation for financial reporting.

RH informed that most respondents were preparers or reviewers of valuation.

RH further informed that a wide variety of industries had responded and that there were a wide variety of requests for due diligence and valuation.

RH also informed that the survey indicated that ESG/Sustainability considerations within valuations still in developmental stage.

RH advised that the survey indicated that ESG/Sustainability considerations not usually contained in valuation reports.

RH further advised that the survey indicated that most valuers don't independently address ESG/Sustainability factors within valuations.

RH also advised that the survey indicated that most valuers don't restrict ESG/Sustainability assessments to specific industries or client types.

RH informed that the survey indicated that limited indexes, KPI's and matrices used for ESG/Sustainability benchmarking purposes.

RH further informed that the survey indicated that publicly available information not seen as sufficient and/or reliable enough to use in valuations.

RH also informed that the survey indicated that most respondents were happy with the level of detail contained within the IVS 104 Appendix.

RH advised that the survey indicated that most respondents don't separately identify ESG considerations.

RH further advised that the survey indicated that a range of frameworks, guidelines, methods or reporting standards used.

RH also advised that the survey indicated that no overarching framework, guideline, method or reporting standard used by valuers.

RH informed that the survey indicated that CREEM was mainly used, but the majority of respondents provided no response.

RH further informed that the survey indicated that 49% of respondents are not using ratings or certifications to assess ESG/Sustainability.

RH also informed that the survey indicated that further guidance required for quantifying ESG using existing valuation approaches and methodologies.

RH advised that the survey indicated that most respondents felt that ESG/Sustainability investment considerations can conflict with a fiduciary duty to maximise returns.

RH further advised that the survey indicated that further professional development and training focussed on ESG/Sustainability required.

RH also advised that the IVSC SRB ESG working group was now reviewing the ESG survey responses on both a regional level and according to specialism (*i.e. Business Valuation, Financial Instruments Valuation and Tangible Assets Valuation*).

Next steps

AA and RH to provide a IVSC ESG Survey regional update during the next TAB meeting.

IVS Effective 31 January 2028 Publication Schedule

IVS Effective 31 January 2028 Publication Schedule (2024.07.26.IVS Effective 31 January 2028 Publication Schedule)

The Board discussed the draft publication schedule and noted the following key dates in relation to the next edition of IVS (Effective 31 January 2028):

- *Aug-Dec 2024: Pre-Drafting IVS (Effective 31 January 2028) Exposure Draft*
- *Jan -Sep 2025: Drafting IVS (Effective 31 January 2028) Exposure Draft and Red Line Version*
- *Oct- Dec 2025: IVS (effective 31 January 2028) Exposure Draft and Red Line and IVSC Internal Editing and Formatting Publication Process*
- *Jan-Mar 2026: IVS Exposure Draft Consultation Responses*
- *Oct-Dec 2026: IVS (effective 31 January 2028) and Red Line IVSC Internal Editing and Formatting Publication Process*
- *Jan 2027: IVS (effective 31 January 2028) Published Includes Red Line*
- *Feb 2028: IVS (effective 31 January 2028) Basis of Conclusion Published*

The Board discussed the IVS Effective 31 January 2028 Publication Schedule and noted that the Board had only a year to prepare the Exposure Draft.

The Board further discussed the Agenda Consultation and how the responses from this consultation should guide the Board towards the revisions in the next edition of IVS.

The Board discussed the Agenda Consultation key topics (*AI, ESG and Valuation Risk*) and agreed that the responses to this consultation should provide further guidance on the future revisions to IVS.

Next steps

AA and RS to review the IVS Effective 31 January 2028 Publication Schedule to create a more user-friendly format.

IVSC Hong Kong AGM Agenda Discussion

Hong Kong AGM Agenda Discussion

- *Thursday 21st and Friday 22nd November 2024*
- *IVS Agenda Consultation Update*
- *Updates to Other Boards (Advisory Forum, GMSRC, Trustees)*
- *Public Meeting*
- *Speakers?*

The Board discussed the Hong Kong AGM and whether the meeting could start early on Friday 22nd November and end at 4pm on Friday as several Board members had flights back home later that evening.

The Board further discussed whether the IVSC SRB Working Groups could meet on the afternoon of Wednesday 20th November to use the Board members time as efficiently as possible.

The Board also discussed potential Agenda items for the Hong Kong AGM and agreed that the main focus of the AGM should be a review of the responses to the IVSC Agenda Consultation and a discussion of potential revisions to the next edition of IVS.

Next steps

AA to include within the IVSC SRB AGM Agenda the IVSC SRB Working Groups meeting on the afternoon of Wednesday 20th November.

Working Group Updates

(2024.07.26. IVSC SRB Working Groups)

Academic Working Group Update

The Board was advised that the working group was currently in the process of updating their scope of work.

The Board was further advised that the working group had not met during July as several of the members of the working group were on annual leave.

Next steps

None.

Listed vs Unlisted Working Group Update

As mentioned in the previous TAB Update the Board was advised that the Listed vs Unlisted Perspectives Paper was currently being reviewed further to comments received from DS, IJ and AA.

The Board was further advised that the Listed vs Unlisted Perspectives Paper had also been sent to the Tim Deal for consideration and review.

Next steps

None.

Valuation Risk Update

The Board was advised that the IVSC SRB Valuation Risk working group had met earlier that week.

The Board was further advised that the working group had created a spreadsheet highlighting the different types of valuation risk within the valuation process.

The Board was also advised that the working group had also discussed revising the current definitions of price and value within IVS.

The Board was informed that the working group had also discussed reasonable range, bias, fraud and resilience/Investment risk.

The Board was further informed that the working group had discussed how compliance with IVS could reduce valuation risk.

The Board was also informed that the working group had prepared preliminary definitions for the following types of valuation risk:

- Contractual Risk
- Model Risk

- Data Risk
- Liquidity Risk
- Resilience Investment Risk

DS advised that the working group had been exploring different types of risk in the valuation process and had been looking at how valuation risk was currently dealt with in IVS.

DS further advised that the working group had also discussed valuation controls, review and challenge and reasonable range and whether IVS should be more explicit on these topics.

DS also advised that the working group had discussed the use of AI in valuation and how this related to valuation risk.

Next steps

None.

Use of Technology in Valuation Update

The Board was advised that the working group was still in research stage and had collected a lot of information and articles on this topic.

The Board was further advised that the working group was still in the early stages of exploring this topic.

The Board was also advised that the working group had received several presentations from external specialists (*Andrew Knight and Yann Magnan*) on this topic.

The Board was informed that further presentations had been planned with Yann Magnan and Ian Balance.

The Board was further informed that the working group viewed the use of AI as not a revolution but as a tool to be used by valuers.

The Board was also informed that the statement contained in IVS 105 that *"No model without the valuer applying professional judgement, for example an automated valuation model (AVM), can produce an IVS-compliant valuation"*, was still correct.

The Board was informed that the working group had tried to contact AI users at Bloomberg and other data providers, but as yet had had no success.

The Board was further informed that the working group was still in the preliminary stages of drafting a perspectives paper.

DL advised that he had some contacts at Bloomberg, who may be helpful.

DL also advised that he would be interested in joining the working group.

OP advised DL that he would be happy for him to join the working group and asked AA to send an invite.

Next steps

AA to invite DL to join the IVSC SRB Use of Technology in Valuation working group calls.

TIP and White Paper Working Group Update

The Board was advised that the working group was currently reviewing the following IVSC white papers: -

- *Code of Ethical Principles for Professional Valuers*
- *Competency Framework*

The Board was further advised that these white papers had not been updated for the past 10 years.

The Board was also advised that the working group was in the process of updating these white papers to ensure compliance with IVS (effective 31 January 2025).

Next steps

None.

Future Physical Meetings

IVSC SRB Physical Meeting March 2025

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

The Board was advised that the IVSC SRB Physical Meeting March 2025 would be held in Toronto.

Next Steps

None.

IVSC SRB Physical Meeting June 2025

- *Wednesday 11th June to Friday 13th June*

The Board was advised that no location had yet been chosen for the IVSC SRB Physical Meeting June 2025, but it was likely that this meeting would be held in Europe.

Next Steps

None.

IVSC AGM 2025

- *October/November (date to be confirmed)*
- *Location changed to Europe or Asia (Germany or India)*

The Board was advised that the IVSC AGM 2025 was no longer to be held in Singapore.

The Board was further advised that the IVSC AGM 2025 would be held in October/November 2025.

The Board was also advised that it is likely that the IVSC AGM 2025 would be held in India or Germany and further detail would be provided at the next IVSC SRB conference call.

Next Steps

None.

Administration

AOB

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