

IVSC SRB Meeting Update June 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 26th of June 2024. The topics in order of Discussion were:

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Administration

- IVSC SRB London Meeting Update May 2024
(IVSC SRB London Meeting Update May 2024)

Asset Board Updates

- BVB Update
- FIB Update
- TAB Update

Agenda Consultation

- Agenda Consultation Review and Finalisation
(2024.06.21. IVSC Agenda Consultation 2024 without track changes)

Topic Forms and Perspective Papers

- Intangible Assets Capstone Perspectives Paper
(2024.06.18 NK IVSC BVB Intangible Assets Capstone Draft for SRB)
- Business Combinations Response Topic Form and Draft Response
(2024.06.11 IVSC Topic Form BVB Comment on IFRS 3 Exp Draft Business Combinations V1 and 2024.06.20 Draft Response to IASB IFRS 3 Exposure Draft V3)
- Trophy Assets Topic Form
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Working Group Updates

(2024.06.17. IVSC SRB Working Groups)

- Academic Working Group Update
- Listed vs Unlisted Working Group Update
- Valuation Risk Update
- Use of Technology in Valuation Update - Olivier Peronnet

- ESG Working Group Update - Richard Hayler
- TIP and White Paper Working Group Update - Matt Clark

Future Physical Meetings

- IVSC Hong Kong AGM 2024
 - *Wednesday 20th November to Friday 22nd November*
 - *SRB Meeting Thursday 21st November and Thursday 22nd November*
- IVSC SRB Physical Meeting March 2025
 - *SRB Meeting Wednesday 5th March (PM) to Friday 7th March*
- IVSC SRB Physical Meeting June 2025 - Location and date to be confirmed
 - *SRB Provisional Meeting Date Wednesday 18th June (PM) to Friday 20th June*
- IVSC SRB AGM 2025
 - *October/November (date to be confirmed)*
 - *Location potentially changed to Europe (no country confirmed)*

Administration

- Public Meetings Update
- 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 May 2024 (IVSC SRB London Meeting Update May 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 further to the London meeting the BVB had been drafting a response to the IASB IFRS3 Business Combinations Exposure Draft.

The Board was further advised that in line with the general policy of not responding to other standard setters' consultation the BVB was not initially intending to respond to this Exposure Draft,

The Board was also advised that the IVSC had received a personal request to respond to this consultation and had therefore drafted both a topic form and draft response.

The Board was informed that the BVB had also been finalising the Intangible Assets Capstone Perspectives Paper, which was the final perspective paper in the series.

The Board was further informed that the Intangible Assets Capstone Perspectives Paper provide an update and summary of the previous perspectives paper within the tangible assets' series.

The Board was advised that the BVB had a good session with Professor Anup Srivastava of the University of Calgary on Intangible Assets.

The Board was further advised that including the BVB there were 21 attendees for this presentation.

The Board was also advised that the BVB would turn this presentation into an interview and publish as part of the IVSC Interview series of papers.

The Board was also informed that the CBV Institute had recently issued a *“Primer on Artificial Intelligence”*.

The Board was advised that the BVB had received several enquiries in relation to Trophy Assets.

The Board was further advised that the BVB had drafted a topic form, on Trophy Assets and wanted to include this topic within the Agenda Consultation.

Next steps

AA to send the Board a copy of the CBV Institute Primer on Artificial Intelligence.

FIB Update

The Board was advised that the FIB had had several discussions on messaging and content.

The Board was further advised that the FIB had been considering how to influence papers and increase outreach for adoption and implementation of IVS 500 Financial Instruments.

The Board was also advised that the FIB faced several challenges in relation to bandwidth and coverage.

The Board was informed that the FIB had also been discussing the creation of a Financial Instruments FAQ and had several meetings on this topic.

The Board was further advised that the FIB was trying to determine the correct level of detail for the FAQ and how to apply it.

The Board was also advised that the FIB was currently considering an FAQ on interest rate swaps but one of the issues is the financial instruments valuations quickly become quite detailed.

The Board was informed that Professionalism was a key topic for the FIB and KD had been working on how to coordinate with the requirement within IVS that it is *“drafted on the basis that valuers who use the standards are competent and have*

the requisite knowledge, skills, experience, training, and education to perform valuations.”

Next steps

None.

TAB Update

The Board was advised that the TAB had recently published an Inspections perspective paper.

The Board was further advised that since publication initial market feedback had been positive and that this was a good way to engage with the market on key issues.

The Board was also advised that the TAB was working on a Prudential Value/Property Value perspectives paper.

The Board was informed that the TAB had received some comments from DS in relation to this perspectives paper and were in the process of reviewing his comments and revising the perspectives paper accordingly.

The Board was further informed that the TAB had discussed Valuation Risk and Reasonable Range and as part of this discussion the TAB had explored the following issues: -

- *Valuation Procedural Risk*
- *Valuation Risk or Value Uncertainty*
- *Investment Risk (over the investment horizon)*

The Board was also informed that the discussion was extremely productive and illustrated how valuation risk was considered in tangible asset valuations across different markets.

The Board was advised that the TAB had also been focussed on the Agenda Consultation and had carried out a full review of both the tangible assets current and future topics.

The Board was further advised that the TAB had provide a Trustees update and had provided several presentations to external stakeholders including a presentation to the Australian Tax authority.

Next steps

AA to send a copy of the Inspections perspectives paper to the SRB.

Agenda Consultation

Agenda Consultation Review and Finalisation (2024.06.21. IVSC Agenda Consultation 2024 without track changes)

The Board was advised that further to the previous London SRB physical meeting between the 15th and 17th May the Agenda Consultation had been subject to the following revisions:

- *Order of the topics contained in the introduction had been revised to improve the flow of the document.*
- *Key topics had been revised in order to ensure the impartiality of these sections and to ensure that respondents were not being led to any particular conclusion.*
- *Timing for key topics had been revised for current topics to 0-2 years and for future topics to 2 years plus.*
- *Some topics had been moved to the current topic section in order to improve the balance between current and future topics.*
- *Additional topics had been revised to only include a short summary of the topic and the oversight Board.*
- *Some of the contents of the BVB additional topics had been revised by the BVB.*
- *Consultation questions had been revised to ensure consistency between the key topics and the Additional topics and to ensure that the consultation questions were more succinct and impartial.*

The Board was informed that the IVSC were aiming for the Agenda Consultation to be published on 11 July 2024 and would be subject to a 90-day consultation between 11 July and 9 October 2024.

The Board was asked if they had any further comments in relation to the Agenda consultation prior to the Agenda Consultation going into consultation.

The Board advised that they had no further comments and AA advised that he would send the Agenda Consultation to the IVSC publication team to format and edit prior to publication.

Next steps

AA to send the final; version of the Agenda Consultation to the Board post publication.

Topic Forms and Perspective Papers

Intangible Assets Capstone Perspectives Paper (2024.06.18 NK IVSC BVB Intangible Assets Capstone Draft for SRB)

The Board reviewed the Intangible Assets Capstone Perspectives Paper and advised that there should be more comments on disclosures for businesses.

The Board advised that due to the late submission of the perspectives paper they needed more time to fully consider the contents.

Further to discussion the Board agreed to provide comments and revisions to the perspectives paper by close of play on Monday 8th July 2024.

Next steps

The Board to provide AA and NK with comments in relation to the Intangible Assets Capstone Perspectives Paper by close of play on Monday 8th July.

Business Combinations Response Topic Form and Draft Response (2024.06.11 IVSC Topic Form BVB Comment on IFRS 3 Exp Draft Business Combinations V1 and 2024.06.20 Draft Response to IASB IFRS 3 Exposure Draft V3)

NK advised that the IFRS Technical staff spoke to NT and asked the IVSc to participate in the on IFRS 3 Exp Draft Business Combinations consultation and the IASB IFRS 3 Exposure Draft consultation.

The Board asked if there was a due date for this consultation and was advised that the consultation closed on the 15th of July 2024.

The Board was advised that the TAB had reviewed the response and felt that further detail needed to be provided within the response to Q7 as most tangible asset PEI valuations used pre-tax cashflows and it would be better if valuers had a choice in relation to the use of pre or post tax cashflows.

The Board discussed the proposed response and advised that the responses to the questions which stated that *"the IVSC were generally supportive"* should be changed to *"no comment."*

NK advised that he would revise draft exposure draft response in light of the comments received.

NK further advised that he resubmit the response to the Board and requested initial comments to the draft by the 3rd of July 2024.

NK also advised that he post comments received he would submit a revised response to the Board on the 8th of July 2024 and requested that the Board provided him with any comments or revisions by the close of play on the 11th July 2024.

NK added that further to comments received he would send the agreed response to the IASB on the 15th of July 2024.

Next steps

Board to provide NK with comments or revisions by close of play on the 3rd of July 2024. NK to submit a revised response to the Board on the 8th of July 2024. The Board to provide NK with any comments or revisions by close of play on the 11th of July 2024 prior to NK submitting the agreed response to the IASB on the 15th of July 2024.

Trophy Assets Topic Form (2024.06.19 IVSC SRB Topic Form Trophy Assets)

The Board discussed the Trophy Asset Topic form and suggested that the definition of a Trophy Asset should be revised as follows: -

A trophy asset is a highly valued and prestigious piece of property or an investment, often characterized by its prime location, iconic status, historical significance, or unique features. These assets are typically sought after by high-net-worth individuals, corporations, or institutions due to their desirability, rarity, and potential for long-term value appreciation. Trophy assets can include luxury real estate, landmark buildings, renowned art pieces, rare collectibles, or other items considered symbols of wealth and status.

The Board were advised that there were issues in relation to the correct multiple to use and some assets such as NFT's have come down in value.

The Board noted that many Trophy Assets were owned by Hedge Funds, and it was important that they were valued correctly.

KH advised that there was keen interest from the TAB on this topic.

Further to discussion the Board agreed that Trophy Assets could be included in the Agenda Consultation as a current topic (0-2 years) to be considered by the Business Valuation Board and the Tangible Assets Board.

The Board further agreed that post considering results from the Agenda Consultation the BVB and TAB should set up a joint working group to consider this topic.

Next steps

Post review of the Agenda Consultation comments on Trophy Assets the BVB and TAB should set up a joint working group to discuss this issue.

Working Group Updates

(2024.06.17. IVSC SRB Working Groups)

Academic Working Group Update

JC advised that the Academic working group had met twice and prepared the following preliminary brief: -

The goals of the Academic Working Group Discussion of the IVSC (International Valuation Standards Council) SRB will focus on fostering collaboration and knowledge exchange among academics and researchers in the field of valuation. Here are some specific objectives:

- Ensure Sufficient Academic Rigour and Input in Standard Setting: Promote a robust academic foundation in the development of valuation standards to ensure they are well-informed and credible.*
- Presence and organising Conferences: Promote the presence at conferences and organising a few ones serves to disseminate research findings, engage with a broader audience, and influence the global valuation community through evidence-based contributions and discussions.*
- Identify Academic Specialists: This group should identify experts in specific topics, such as artificial intelligence, to participate in working groups and present new ideas.*

- *Coordinate with Global Membership and Standards Recognition Committee: This group should work in tandem with the Global Membership and Standards Recognition Committee to align efforts and share insights.*
- *Promote Research and Innovation: Encourage the sharing of research related to valuation methodologies, theories, and practices, focusing on emerging trends and innovative approaches.*
- *Enhance Understanding of Valuation Standards: Facilitate discussions on how academic research can refine and contribute to the development of international valuation standards set by the IVSC.*
- *Address Practical Applications: Bridge the gap between academic research and practical valuation by discussing real-world applications of theoretical concepts through case studies and empirical studies.*
- *Facilitate Collaboration and Networking: Provide a platform for academics to connect and collaborate with researchers, valuation professionals, and standard setters, fostering partnerships for research and events.*
- *Support Education and Training Initiatives: Discuss strategies for integrating valuation education into academic programs and promoting professional development for students and practitioners.*
- *Inform Policy and Regulation: Explore how academic research can inform policy and regulatory frameworks related to valuation practices at both national and international levels, advocating for evidence-based policymaking.*

Overall, the Academic Working Group Discussion of the IVSC SRB aims to advance the field of valuation through academic inquiry, collaboration, and dissemination of knowledge, contributing to the continuous improvement and global harmonization of valuation practices.

The Board discussed the brief and felt that provided feedback to fine tune and align the objectives.

The Board made the following recommendations:

- 1) Academic working group to connect with Drew Dorweiler of the GMSRC to align purpose and ensure no crossover.
- 2) Academics should be part of this working group to ensure output is fit for purpose.

Next steps

JC to revise the academic brief and redistribute. JC to reach out to Drew Dorweiler of the GMSRC and to share academic brief.

Listed vs Unlisted Working Group Update

IJ advised that the working group had recently met and had shared a strawman perspectives paper with the SRB and Asset Boards.

IJ further advised that the working group had received some good feedback from DS and were in the process of revising the perspectives paper.

IJ also advised that the working group aimed to be in a position to share a revised draft in advance of the next SRB.

Next steps

Draft perspective paper to be revised post comments received and shared with the SRB in advance of the next meeting.

Valuation Risk Update

SD advised that further to discussions she would be chairing this working group.

SD further advised that the working group were in the process of reviewing IVS and identifying valuation risk within each chapter of IVS (*i.e. General Standards and Asset Standards*).

SD also advised that the working group needed to narrow down the topic of valuation risk and see where it directly related to IVS.

Board discussed valuation uncertainty and whether valuation uncertainty could ever be eliminated from valuations.

Board further discussed reasonable range and whether this was a key component within valuation risk.

Board noted that the working group need to separate valuation uncertainty from market uncertainty.

Board also noted that IVS is a principle based standard and therefore would not tell valuers what to do in relation to valuation risk but could provided more detailed valuation standards on the management of valuation risk.

KH noted that this topic also flowed through to other topics such as Inspection and Prudential Value, which could be described as resilience risk.

KH added that due to this crossover the Board needed to ensure that there was a consistent approach to valuation risk across different perspectives papers.

DL advised that IPEV guidelines have a section on valuation risk that he will share with the Boards.

Next steps

Draft perspective paper to be revised post comments received and shared with the SRB in advance of the next meeting.

Use of Technology in Valuation Update

AA advised that the working group was still in research stage and had invited a number of speakers to talk to the working group about the use of technology in valuation.

AA further advised that Andrew Knight had presented to the working group on the use of technology in tangible asset valuations.

AA also advised that Yann Magnan and Ian Blance were due to present to the working group in future meetings.

AA informed the Board that the working group was still in the process of finding suitable candidates to join the working group.

Next steps

None.

ESG Working Group Update

AA advised that the IVSC ESG survey consultation closed on the 31st May 2024.

AA further advised that the working group had received 543 responses to the ESG survey, which was more than double the responses of the previous survey.

AA also advised that the working group Was still in the process of reviewing the responses and he would be able to provide a more detailed update during the next SRB meeting.

Next steps

AA to provide an ESG Survey update at the next SRB meeting.

TIP and White Paper Working Group Update

MC advised that the working group had met and the following TIPs and white paper had been circulated for consideration and review;

- *Code of Ethical Principles*
- *Competency Framework*
- *Developing a VPO*
- *Guide to the Audit Process*
- *PMOs Web PDF*

MC further advised that many of these documents were historic and dated back to 2011.

MC also advised that the working group noted that many of these documents were more relevant to the AFWG and formed part of a VPO's membership obligations.

MC added that the working group would initially review the Code of ethical practices for valuers and would make recommendations to the SRB.

The Board discussed the Code of ethical principles and noted that any proposed revisions would need to go to the AFWG for approval as many VPO's had incorporated these principles within their standards and guidance.

The Board also noted that there was a fine line between taking over what VPO's are doing and providing guidance where there are no VPO's (*i.e. Financial Instruments*).

Next steps

Working group to review the Code of Ethical Principles and make preliminary recommendations to the SRB.

Future Physical Meetings

IVSC Hong Kong AGM 2024

The Board was advised that the IVSC Hong Kong AGM would be held between Wednesday 20th November and Friday 22nd November 2024.

The Board was further advised that the SRB would be meeting on Thursday 21st of November and Friday 22nd of November.

The Board was also advised that the Tangible Assets Board and Financial Instruments Board would be meeting on Tuesday 19th November and Wednesday 20th November 2024.

Next steps

NK to advise AA if the BVB are also intending to meet on Tuesday 19th November and Wednesday 20th November 2024.

IVSC SRB Physical Meeting March 2025

The Board was advised that the SRB would be meeting between Wednesday 5th March (PM) and Friday 7th March in Toronto.

The Board was further advised that the Technical would be meeting between Monday 3rd March and Wednesday 5th March (AM) in Toronto.

Next steps

None.

IVSC SRB Physical Meeting June 2025

The Board was advised that the SRB were provisionally planning to meet between 18th June (PM) and the 20th June 2024, but no location had not yet been confirmed.

Many of the Board felt that an earlier date would be more convenient and asked AA to send an email to the Boards with the following options shown below so the SRB could confirm a date:

Option 1 : Wednesday 4th June to Friday 6th June

Option 2: Wednesday 11th June to Friday 13th June

Option 3: Wednesday 18th June to Friday 20th June

Option 4: Wednesday 25th June to Friday 27th June

Next steps

AA to send an email to the Board so a date can be agreed for the June meetings.

IVSC SRB AGM 2025

The Board was advised that the IVSC AGM 2025 will not be held in Singapore.

The Board was further advised that the IVSC AGM 2025 will be held in October or November 2025 and that a location had not yet been chosen but it seemed likely that the AGM would be in either Europe or Asia.

Next steps

AA to provide the Board with further details, once a location and date has been agreed.

Administration

Public Meetings Update

The Board was advised that the Chairs were in the process of drafting a policy for public meetings.

The Board was further advised that the draft was still in a preliminary stage and would be shared with the Board in due course.

Next steps

AA to share a draft public meetings policy once completed.

AOB

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