

## IVSC SRB Physical Meeting Update October 2023

***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 in person and remotely on 9 - 10 October 2023. The topics in order of Discussion were:

### Contents

#### Administration

- IVSC SRB Meeting Update September 2023  
*(IVSC SRB September Meeting Update 2023)*
- IVSC Publications Update –Alex Aronsohn  
*(23.08.23. IVSC Publication Schedule)*

#### IVS Exposure Draft

- IVS Publication Process and Timetable –All  
*(IVS 2024 Publication Process and Timetable)*
  - IVS Effective Date
  - Publication Cycle –2-year or 3-year cycle
- IVS Exposure Draft  
*(2023.10.02. Revised IVS General Standards with and without track changes plain word version V1)*
- IVS Basis of Conclusions  
*(IVS Basis for Conclusions (wef-31-01-2022))*

#### IVS Asset Standards

- FIB Standards Update and Timing –Thomas Lee/Doug Summa
- TAB Standards Update and Timing–Kim Hilderbrandt/Alexander Aronsohn
- BVB Standards Update and Timing –Richard Stewart/Nicolas Konialidis

#### Discussion - IOSCO Consultation Response

- IOSCO Goodwill Consultation Response  
*(2023.06.30 IOSCO Consultation on Goodwill and 2023.09.16 IOSCO goodwill consultation CM and KP Draft with comments)*

#### IVS Future Topics

- IVS Future Topics –All
  - *Applications/Guidance Notes*
  - *Client vs Intended User*
  - *Interpretations*
  - *Materiality*
  - *Valuation Risk*

#### Public Meeting

- Agenda Consultation Public Meeting –All  
*(IVS Agenda Consultation Summary of Responses Published Final and 2023.10.02. and Proposed Agenda Consultation Topics)*

#### Administration

- IVSC SRB Future Meetings
  - *26 February –1 March 2024 (Middle East)*
  - *13 May –17 May (USA) Agenda consultation*
- 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 Meeting Update September 2023 (IVSC SRB September Meeting Update 2023)**

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.

### **IVSC Publications Update (23.08.23. IVSC Publication Schedule)**

The Board discussed the proposed timetables for some of its forthcoming publications. The Board felt that the publication dates might be delayed due to focus on the publication of the next edition of IVS on 31 January 2024 and the publication of the forthcoming Agenda Consultation in Q2 2024.

#### **Next steps**

No action required.

## **IVS Exposure Draft**

### **IVS General Standards Update (IVS Publication Process and Timetable)**

The Board discussed the publication process for the next edition of IVS and agreed the proposed publication date of the 31<sup>st</sup> of January 2024. The Board agreed this publication date and felt that it was achievable.

The Board also discussed the effective date for the next edition and noted that previously the effective date was six months post publication and therefore in this instance would be 31<sup>st</sup> July 2024.

The Board was advised that due to the number of changes in IVS such as the restructuring of the standards, the inclusion of new sections on valuation quality control and documentation and the addition of new chapters on data and valuation models and the revision to IVS 500 Financial Instruments, the Advisory Forum and other stakeholders had requested that in this instance the effective date should be one year post publication.

The Board was further advised that an effective date of the 31<sup>st</sup> of January 2025 would also give sufficient time for translation and for other firms and organisations to incorporate the revised IVS within their guidelines.

Further to discussion the Board agreed that in this instance the effective date for implementation and adoption of the revised IVS would be extended to the 31<sup>st</sup> of January 2025, but early adoption would be encouraged. The Board further noted that this was a one-off exception, based on the number of changes within IVSD and the Board was not planning to set a precedent for future editions of IVS.

The Board also reviewed the bylaws and discussed whether the publication of IVS should be moved to a three-year cycle.

The Board was advised that there were no requirements in the Bylaws or IVSC Standards Review Board due process and working procedures in relation to the IVS publication cycle.

The Board noted that the current two-year publication was too short as almost as soon as the Board had published the next edition of IVS, the Board would need to work on the next edition prior to gaining market feedback.

Furthermore, the Board noted that a two-year cycle gave insufficient time between the publication of IVS and the publication of the next IVS Agenda Conda consultation.

Moreover, the Board also noted that moving to a three-year cycle would mean that the IVS Publication cycle would be contiguous with the Board terms. The Board felt that this made more sense and also meant that in future Board members would not be changing in the middle of a key project.

Further to discussion the Board agreed that the publication of IVS should be moved to a three-year cycle.

### **Next steps**

The effective date for IVS is to be changed to the 31<sup>st</sup> of January 2025 and future editions of IVS are to be published on a three-year cycle.

## **IVS Exposure Draft (2023.10.02. Revised IVS General Standards with and without track changes plain word version V1)**

The Board reviewed the IVS General Standards and agreed some minor changes and the following more detailed changes (shown in green italics):

### **IVS Introduction**

IVS describes the valuation process, which may involve multiple parties (including specialists and service organisations). *The valuer is ultimately responsible for the assertion of compliance with IVS.*

### **Glossary**

#### **10.2. Automated Valuation Model (AVM)**

*A type of model that provides an automated calculation for a specified asset at a specified date, using an algorithm or other calculation techniques without a valuer applying professional judgement over the model, including assessing, and selecting inputs or reviewing outputs.*

### **IVS 100 Valuation Framework**

#### **20. Valuation Process Quality Control**

20.8 *A valuer should conclude that the level of valuation risk, subject to controls in place, is appropriate given the intended use, intended user, the characteristics of the asset or liability being valued and the complexity of the valuation.*

#### **40. Compliance**

40.7 *For assets and/or liabilities that may fall within multiple Asset Standards (IVS 200 Businesses and Business Interests to IVS 500 Financial Instruments), the valuer should follow the General Standards and explain, justify, and document, which of the Asset Standard(s) were used. For example, both IVS 200 Businesses and Business Interests and IVS 500 Financial Instruments apply to some assets and or liabilities.*

## **IVS 101 Scope of Work**

### **30. *Valuation Process Review and Value Review Requirements***

30.2. The scope of work of **an engagement that is either a valuation process review or a value review, or both** must include the following at a minimum:

## **IVS 102 Bases of Value**

### **30. *Entity-Specific Factors***

30.2. Whether such factors are specific to the entity or are available to others participants in the market generally is determined on a case-by-case basis. For example, an asset may not normally be transacted as a stand-alone item but as part of a group of assets. **In that case, any synergies with related assets would transfer to participants along with the transfer of the group and therefore are not entity specific.**

## **IVS 103 Valuation Approaches**

### **A10. *Market Approach Methods***

#### ***Comparable Transactions Method***

A10.4. The comparable transaction method can use a variety of different comparable evidence, **also known as units of comparison, which form the basis of the comparison.** For example, a few of the many common units of comparison used for real property interests include price per square foot (or per square metre), rent per square foot (or per square metre) and capitalisation rates. A few of the many common units of comparison used in business valuation include EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) multiples, earnings multiples, revenue multiples and book value multiples. A few of the many common units of comparison used in the valuation of financial instruments include metrics such as yields and interest rate spreads. The units of comparison used by participants can differ between asset classes and across industries and geographies.

## **IVS 104 Data and Inputs**

40.2. When valuing portfolios or groups of similar assets or liabilities, inputs should be **selected appropriately** across those portfolios or groups of assets.

## **IVS 105 Valuation Models**

**IVS 105 addresses the selection and use of valuation models to be used in the valuation process.**

**No model without a valuer applying professional judgement, for example an automated valuation model (AVM), can produce an IVS compliant valuation.**

## **IVS 106 Documentation and Reporting**

### **30. Valuation Reports**

30.2. Valuation reports may reference other documents. **These documents may include but are not limited to** scope of work, internal policies and procedures.

30.6. Valuation reports must convey the following, at a minimum:

**(l) sources and selection of significant data and inputs used**

The Board further discussed the IVS General Standards and further to discussion provisionally approved the IVS General Standards.

The Board were advised that next IVSV SRB Meeting on the 29<sup>th</sup> of November 2023. The Board was further advised that this would be a public meeting where the Board would officially vote on approval of IVS for publication.

### **Next steps**

The Technical Director to send a black line of IVS to the Board in advance of the public meeting on the 29<sup>th</sup> of November 2023.

### **IVS Basis of Conclusions (IVS Basis for Conclusions (wef-31-01-2022))**

The Board was advised that the IVS Basis for Conclusions would be published at the same time at the publication of IVS.

The Board was further advised that the Technical Directors would beginning drafting the basis of conclusions once the revisions to IVS had been agreed at the public meeting on the 29<sup>th</sup> of November 2023.

The Board was also advised that the Basis for conclusions would include a summary of the exposure draft responses received together with a summary of Board discussion on key issues and the rationale for any changes made or not made within IVS.

The Board also discussed key topics to be included in the Basis for Conclusions and noted the following key topics;

- Introduction
- Valuer Principles
- AVMs
- Valuation Quality Control
- IVS 104 Data
- IVS 104 Appendix ESG
- IVS 105 Valuation Models
- Documentation
- Inclusion of Appendices.

### **Next steps**

The Board was advised that an initial draft of the Basis for Conclusions would be submitted in December for consideration and review.

## **IVS Asset Standards**

### **FIB Standards Update and Timing**

The Board was advised that the focus of the FIB was finalising the IVS 500 Financial Instruments Exposure Draft for consideration and review.

The Board was further advised that as part of this process the Board reviewing the alignment of IVS 500 to the definitions and terms contained within the IVS General Standards.

The Board was also advised that the FIB was discussing the issue of application guidance for the Financial Instruments as unlike Tangible Assets there were no VPO's to issue the guidance required by the markets.

The Board was informed that that the FIB would discuss this issue in the basis of conclusions but as, yet no decision had been reached.



## **Next steps**

The FIB will also hold a public meeting on the 22<sup>nd</sup> of November 2023 to approve final revisions to IVS 500 and will then submit a finalised draft to the Board in advance of the public vote on 29<sup>th</sup> November 2023.

## **TAB Standards Update and Timing**

The Board was advised that the focus of the TAB was finalising the tangible asset chapters. In order to achieve this in advance of the AGM the TAB have spent the past two months reviewing the comments received in relation to the TAB chapters through weekly meetings of the IVS 300, IVS 400 and IVS 410 working groups and made revisions where appropriate.

The Board was further advised that where additional requirements have been added for example in relation to ESG the TAB have duplicated these requirements across the TAB chapters to ensure consistency. The TAB felt that this was particularly important as in many instances valuations may include elements of each chapter for example when considering a development appraisal.

The Board was also advised that the TAB reviewed the sections within the tangible assets' chapters on the valuation framework, scope of work, data and inputs, valuation models and documentation and reporting to ensure that these sections were consistent with the requirements contained in the IVS General Standards.

The Board was informed that the TAB would be finalising and approving the tangible assets chapters during over the next two days and would send the chapters to the Board for final approval post the AGM.

The Board was further informed that over the course of the next two days TAB meeting the TAB Agenda included the following topics;

- *Agenda Consultation*
- *AVM*
- *Chat GPT*
- *ESG*
- *Inspection*
- *Land*
- *Listed vs Unlisted*
- *Personal Property*
- *Prudential Value*
- *Valuation Risk*

The Board was also informed that the TAB had invited Caisse de Depot to provide a presentation on ESG together with a Q & A session.

The Board was advised that the SRB and the Technical Boards were invited to join the presentation and the Board was further informed that the following people would be providing the presentation:

- *Carole Abbey, Director of Strategic Investment Management - Caisse des Dépôt.*
- *Nathalie Caillard, Head of Ampère Gestion, an investment company owned by CDC Habitat, with a focus on socially responsible residential housing.*
- *Antoine de Chabannes, Portfolio Manager of Icade, our Office REIT.*

### **Next steps**

TAB to send the Tangible Assets chapters comprising IVS 300, IVS400 and IVS 410 to the SRB on the 12<sup>th</sup> of October for consideration and review. SRB to provide any comments or revisions to the Tangible Asset chapters by close of play on the 10<sup>th</sup> of November 2023.

### **BVB Standards Update and Timing**

The Board was advised that the BVB have been largely focussed on reviewing the IVS Exposure Draft consultation responses to IVS 200, IVS 210, IVS 220, and IVS 230 and making revisions where appropriate.

The Board was further advised that the BVB aimed to finalise revisions to the Business Valuation standards during their meeting over the next two days and once finalised would send these to the Board for final approval.

The Board was also advised that the BVB had also been revising their response to the IOSC Goodwill consultation post comments received from the Board.

The Board was informed that the BVB was in the process of drafting their next perspective paper in the intangible assets series on Data and aimed to publish this perspectives paper in 2024.

The Board was further informed that the BVB had also been discussing topics for the forthcoming Agenda Consultation and would be continuing to discuss potential business valuation topics during the course of the next year.

The Board was also informed that the BVB continued to focus on outreach with key stakeholders such as the French CFA and EFRAG.

## **Next steps**

BVB to send the Business Valuation chapters comprising IVS 200, IVS 210, IVS 220 and IVS 230 to the SRB on the 17<sup>th</sup> of October for consideration and review. SRB to provide any comments or revisions to the Business Valuation chapters by close of play on the 10<sup>th</sup> of November 2023.

## **IOSCO Response Letter**

### **IOSCO Goodwill Consultation Response (2023.09.29 IOSCO goodwill consultation CM and KP Draft with comments)**

The Board was advised that the BVB had reviewed the following feedback received in relation to the IOSCO Goodwill Consultation response;

- 1. The introduction is a good summary of the perspective papers, but the letter should focus on responding to the questions asked.*
- 2. There was general discomfort at the idea of embedding material from a third party.*
- 3. Most importantly, the SRB felt that the letter was overly critical.*

The Board was also advised that further to the feedback received the Business Valuation Board had made the appropriate revisions to the IOSCO Goodwill Consultation Response.

The Board reviewed the consultation response and agreed that the appropriate revisions had been made and approved the response.

## **Next steps**

BVB to send the IOSCO Goodwill Consultation Response to IOSCO on the 16<sup>th</sup> of October 2023.

# IVS Future Topics

## IVS Future Topics

The Board generally discussed the following topics emanating from the IVS Exposure Draft consultation process and shown below;

- ***Applications/Guidance Notes***

The Board generally discussed the issue of Guidance notes particularly in relation to Financial Instruments valuation where there limited VPO's to provide the additional guidance that the market needed.

The Board was advised that in order to assist with Implementation and adoption of IVS 50 additional guidance would be needed.

The Board discussed the issue of guidance and noted that IVS did not issue guidance as additional guidance was provided by members of the Advisory Forum, however it would be possible to provide some additional guidance through perspective papers.

The Board also discussed the limited number of VPO's within the financial instruments arena and agreed with the FIB felt that this should be an area of focus over the next few years and that the FIB should work in conjunction with both the Trustees and the Global Membership and Standards Recognition Board to encourage the creation of Financial Instruments VPO's in different markets.

The Board also felt that this was a matter that should be discussed in the IVS Basis for conclusions as a number of IVS Exposure Draft respondents had requested additional guidance for IVS.

## **Next steps**

No decision was taken, and the Board should continue to discuss the topic of Guidance and should provide feedback to the Advisory Forum on areas where IVS Exposure Draft respondents had requested additional guidance.

- ***Client vs Intended User***

The board noted that the revised edition of IVS provided the following definitions for Client and Intended User within the Glossary:

**Client**

*The persons who engage the valuer for a given valuation. "Clients" may be internal (i.e., valuations performed for an employer) or external (i.e., when a valuer is engaged by a third-party client).*

**Intended User**

*Any party identified, by the client and valuer in the scope of work as a user of the valuation.*

The Board noted that though there was some crossover between the definitions the distinction between client and intended user was helpful, though admittedly in some instances they could be the same.

**Next steps**

The Board felt that no action was required at this point in time though further clarification of this distinction should be provided in the IVS Basis for conclusions.

- **Interpretations**

The Board was advised that the Technical Directors occasionally received technical queries in relation to interpretation of IVS.

The Board was further advised that the Technical Directors could not respond to any existing cases as this would provide liability issues but occasionally provided guidance in relation to the appropriate section of IVS related to this query.

The Board discussed the issue of interpretations further and noted that other standard setters did not provide interpretations to their standards and further guidance in relation to adoption and implementation was provided by IVS members through their guidance notes.

The Board felt that nevertheless some interpretations of the standards would be helpful particularly in areas where there are no VPOs available to provide additional guidance.

The Board mooted the idea of setting up an interpretation working group and AA, IJ, MC, NK and SM offered to join any working group.

Further to subsequent discussions with the Trustees when providing the SRB update it was noted that this was a complex issue with potential legal ramifications that should be discussed further.

### **Next steps**

No decision was taken at this point in time and the Board felt that this was an issue that should be discussed further and referred to in the IVS Basis for conclusions.

- ***Materiality***

The Board discussed the issue of Materiality and noted that this was largely an accounting concept with specific standards in relation to this concept and the use of the term materiality within IVS could create confusion within the market.

The Board also noted that the concept of materiality was dealt within in IVS through the use of the following definitions for must, should and significant;

#### ***Must***

*Actions or procedures that are mandatory.*

#### ***Should***

*The valuer is expected to comply with requirements of this type unless the valuer can demonstrate that alternative actions are sufficient.*

#### ***Significant***

*Any aspect of a valuation which in the professional judgement of the valuer greatly impacts the resultant value.*

The Board felt that the current use of definitions in relation to materiality was appropriate but the IVS Basis for conclusions should provide further guidance on this issue.

### **Next steps**

IVS Basis for Conclusions should provide the Board rationale for not including materiality and the use of the definitions of "*must*", "*should*" and "*significant*" to deal with this concept.

- **Valuation Risk**

The Board discussed the concept of valuation risk and noted that the following definition within IVS was a holding definition until the Board reviewed this issue further:

**Valuation Risk**

*The possibility that the value is not appropriate for its intended use.*

The Board noted that though IVS dealt with valuation process risk it did not deal with other valuation risks such as inherent risks within valuations.

The Board discussed this issue further and discussed the difference between valuation risk and valuation uncertainty.

The Board noted that the IVSC SRB Valuation Risk was currently exploring this issue and was planning to issue a perspectives paper on the nature of valuation risk during Q2 2024 to engage the market and further explore this issue.

The Board were generally in agreement with this approach and felt that current references to valuation risk within the next edition of IVS were sufficient.

**Next steps**

IVS Basis for Conclusions should provide the Board rationale for “valuation risk” and the IVSC SRB Valuation Working Group should continue to work on a perspective paper on the nature of valuation risk to be published in Q2 2024.

## **Public Meeting**

**Agenda Consultation Public Meeting (IVS Agenda Consultation Summary of Responses Published Final and 2023.10.02. and Proposed Agenda Consultation Topics)**

The Board held a public meeting to discuss the process for the forthcoming Agenda Consultation due to go into consultation in Q2 2024.

The Board was advised that the structure of the Agenda Consultation would be similar to the previous structure, which was as follows;

- *Introduction*
- *IVS Gap Analysis*
- *Automated Valuation Models (AVMs)*
- *Environmental, Social and Governance (ESG)*
- *Long-term Value*
- *Social Value*
- *Uncertainty and Risk*
- *Data Management*
- *Appendix: IVS 2017 Gap Analysis Invitation to Comment Update*

The Board was advised that the previous Agenda consultation had the following categorisation and prioritisation for topics:

- |                      |                     |
|----------------------|---------------------|
| • <i>Short Term</i>  | <i>0 to 2 years</i> |
| • <i>Medium Term</i> | <i>2 to 5 years</i> |
| • <i>Long Term</i>   | <i>5 years plus</i> |

The board discussed the previous categorisation and prioritisation for topics and felt that it should be revised as follows:

- |                      |                     |
|----------------------|---------------------|
| • <i>Short Term</i>  | <i>0 to 2 years</i> |
| • <i>Medium Term</i> | <i>2 to 4 years</i> |
| • <i>Long Term</i>   | <i>4 to 6 years</i> |

The Board also discussed the Key Topics to be included in the Agenda Consultation and were advised that each key topic should include Background, Scope and Questions for Respondents

The Board provisionally agreed that the following key topics should be included in the Agenda Consultation:

- *AI and AVMs*
- *ESG*
- *Valuation Risk*



The Board also discussed and reviewed the following proposed Agenda Consultation Topics;

- *Agricultural Land*
- *AVMs and Artificial Intelligence*
- *Bases of Value*
- *Biological Assets (forests, plantations etc)*
- *Block Chain*
- *Calibration*
- *Changes to Complex Capital Structures standards*
- *Compulsory Purchase*
- *Crypto Currency*
- *Data and Data Handling*
- *Development Property*
- *Discounted Cashflows*
- *Expropriation/compensation*
- *Extractive Industries*
- *Environmental, Social and Governance (ESG) - All*
- *Impact of new global tax rules ("Pillar 2") on Valuation*
- *Impairment of Assets*
- *Insolvency and Bankruptcy*
- *Insurance Valuations*
- *Link between intangible assets and ESG*
- *Private vs Public Markets*
- *Prudential Value*
- *Quality Control and Sole Proprietor*
- *Reasonable Range*
- *Scope limitation and information asymmetry*
- *Taxation*
- *Trophy Assets*
- *Unregistered land*
- *Valuation in a stressed market*
- *Valuation of start-ups*
- *Valuation for transfer pricing*
- *Valuation in a volatile market*
- *Valuation Risk*
- *Weighting of findings*

The Board noted that the list of potential topics was quite extensive and questioned the process for choosing the key topics to be used in the Agenda Consultation.

The Board discussed the Agenda Consultation process and agreed that each of the Asset Boards would submit an IVSC SRB Topic Proposal form for each proposed topic.

The Board would review each of these topics and provide a shark tank approach ensure that each of these topics met Market needs.

The Board would also provide comment in relation to whether the proposed topic crossed more than one specialism (eg listed vs unlisted properties).

### **Next steps**

The Board would continue to discuss key topics to be included in the Agenda Consultation and the Asset Boards would submit potential topics to the Board in advance of the December meeting.

# Administration

## IVSC SRB Future Meetings

- ***26 February –1 March 2024 (Middle East)***

The Board discussed the next physical meeting of all the Boards due to be held in the Middle East and felt that unfortunately due to the current political situation it would be more prudent to hold the next meeting in the USA.

The Board also discussed potential locations for the next meeting and agreed that it should either be in New York or Washington as many key stakeholders were based there and this would aid market engagement.

The Board also discussed whether the Asset Boards should meet first and further to discussion it was agreed that the Asset Boards should meet first.

Further to discussion the following provisional timetable was agreed for the February Board meetings:

- |  |                               |
|--|-------------------------------|
| • 26 <sup>th</sup> February - 28 <sup>th</sup> February AM | <i>Asset Boards</i>           |
| • 27 <sup>th</sup> February PM                             | <i>Dinner for All Boards</i>  |
| • 28 <sup>th</sup> February – 1 <sup>st</sup> March        | <i>Standards Review Board</i> |

## Next steps

The Technical Director should send a Doodle Poll to all the Boards in relation to whether the next meeting should be held in New York or Washington DC.

- ***13 May –17 May (USA) Agenda consultation***

The Board discussed the location for the May meetings and both the Middle East and Portugal were mooted as potential locations though no decision was taken.

## AOB

No other business.