

IVSC SRB September Meeting Update 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 remotely on 27 September 2023. The topics in order of Discussion were:

Contents

Administration

- IVSC SRB Meeting Update August 2023
(IVSC SRB August Meeting Update 2023)
- IVS (Effective 31 January 2024) Publication Timetable

Standard setting

- IVS General Standards Update
(2023.09.21. Revised IVS General Standards with and without track changes plain word version V2)
 - Review non-red-line draft via shared file
 - Vote to approve content, subject to changes for consistency of language, spelling, grammar.
 - Next steps for AGM
 - Basis of conclusions
 - Agenda consultation

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)

Asset Board Updates

- BV Board Update
- FI Board Update
- TA Board Update
(2023.09.20. TAB Update for SRB meeting 27th September 2023)

Future Meetings

- IVSC SRB October AGM Meeting and Public Meeting Agenda
 - *Finalize any changes to draft as needed.*
 - *Focus on basis of conclusions.*
 - *Agenda consultation*
- IVSC SRB Physical Meetings 2024
 - *26 February – 1 March 2024 (Middle East)*
 - *13 May – 17 May (USA)*
- 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 August 23 (IVSC SRB August 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.

IVS (Effective 31 January 2024) Publication Timetable

DW presented the draft IVS House style guide to the Board.

DW advised that this was still a work in progress and that she would share an updated version of this document over the next two weeks. DW further advised that to make the IVS publication date of the 31 January 2023 she would need the final version of revisions to IVS by **27 November 2023**.

DW also advised that AA and DW would initially work with the publishers on producing a red line version of the revised IVS and once this is produced, they would turn the red line version into a black line version of IVS.

DW added that she was in the process of reviewing the paragraph numbering, formatting and type of bullets and numbering used in the sections and subsections used in IVS. DW further advised that she was in the process of reviewing how IFRS dealt with such matters and would probably adopt a similar house style for IVS.

AA advised that in addition to IVS in both red line and black line version the publishers would also need to assist with the formatting of a basis of conclusion. AA further advised that the Basis of Conclusion would be approximately 30 pages long and though most of this could be produced in house the Publishers would need to assist with the final formatting. AA also advised that the aim was to publish the IVS black line red line and basis of conclusion on 31 January 2024.

Next steps

DW to share the updated IVS house style guide with the Board. AA to produce an IVS 2024 Publication Process and Timetable document to discuss and review with

the Board at the IVSC SRB Paris Meeting. The Board is to agree revisions to the IVS General Standards by 27 November 2023.

Standard setting

IVS General Standards Update (2023.09.21. Revised IVS General Standards with and without track changes plain word version V2)

The Board carried out a full review of the remaining IVS General Standards comments on a comment-by-comment basis and as previously the Board made changes to the IVS General Standards as appropriate based on the following three categories

1. *Good comment requires change*
2. *Disagree – no change*
3. *Good comment but would require re-exposure – moved to future/agenda consultation*

The agreed changes in relation to the different IVS General Standard Chapters are shown in green italics below:

IVS Foreword

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.*

The use of the IVS can be mandated or voluntarily adopted by:

- (a) a body having legal jurisdiction over the purpose for which the valuation is required; or
- (b) a valuation professional organization requiring their use by members for specific purposes; or
- (c) agreement between the party requiring the valuation and a valuer.

IVS Glossary

10.9. Environmental, Social and Governance (ESG)

The criteria that together establish the framework for assessing the impact of the sustainability and ethical practices, financial performance or operations of a company, asset or liability. ESG comprises three pillars: environmental, social and

governance, all of which may collectively impact performance, the wider markets and society. ~~and world as a whole.~~

10.14. Input

Data, assumptions and adjustments determined to be relevant and **assessed or selected** by the valuer to be used in the valuation, based upon professional Judgement.

IVS 100 Valuation Framework

10.2. Competency

Valuers must possess, **procure** or obtain all the technical skills, knowledge and experience required to appropriately complete a valuation.

Valuation Process Quality Control

20.6 There should be periodic assessment of the controls to ensure that **their** integrity and completeness ~~of the control environment is~~ **are** appropriate as of the valuation date. The periodic assessment should be documented.

IVS 101 Scope of Work

10. Introduction

~~10.5. In determining the scope of work, the client and the valuer should consider the requirements of the intended users, if applicable.~~

IVS 104 Data and Inputs

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

IVS 105 Valuation Models

IVS 105 addresses the selection and use of suitable valuation models to be used in the valuation process. No valuation model in and of itself is compliant with IVS.

No valuation model without a valuer following the requirements of IVS can produce an IVS compliant valuation.

30.4 The valuation model ~~must~~ *should* be tested for functionality and outputs must be analysed for accuracy. Any significant limitations should be identified, along with any potentially significant adjustments.

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, ~~documents,~~ internal policies and procedures. ~~,etc) provided the other documents are available to the client.~~

In relation to the IVS General standards there were still the following two matters that the SRB were unable to resolve during the course of the meeting:

1) IVS Glossary - Definition of AVM

OPTION A: *An automated calculation that is not in compliance with IVS.*

OPTION B: *A type of valuation model that provides an automated calculation for a specified asset at a specified date, using an algorithm or other calculation techniques in an automated manner without a valuer assessing and selecting inputs, reviewing outputs, or applying professional judgement. No valuation model without a valuer following the requirements of IVS can produce an IVS compliant valuation.*

2) IVS 106 Documentation and Reporting requirements - Section 30 Valuations Reports.

This is regarding what must be included in the valuation report. The question is, do we want to call out that if significant inputs were provided by the client, they should that be disclosed.

OPTION C: Include both valuation reporting requirements (no change):

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

- (l) significant data and inputs used;*
- (m) significant client provided data or inputs used;*

OPTION D: Exclude/cut (m) within valuation reporting requirements

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

- (l) significant data and inputs used;*

Further to discussion it was agreed that the Technical Director would send out an email to the SRB asking for their preferred options in relation to the Definition of AVMs and Documentation and Reporting requirements.

Furthermore it was agreed that an email would be sent to all members of the Board to advise on their approval or disapproval of the current Exposure Draft.

Next Steps

The Technical Director is to send an email to the Board listing the proposed options for the Glossary AVM definition (Option A and B) and the proposed options for the IVS 106 Documentation and Reporting requirements (Option c and D), together with an informal vote on approval or disapproval on the current revisions to the IVS General Standards. The Board are to send their vote to Chair and Technical Director by close of play on Monday 2nd October. The Board will be having a public vote for final approval of the revised IVS at their next meeting on the 29th of November 2023.

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

The Board was advised that the consultation response was largely drafted by Kevin Prall of the BVB together with some contribution from Catalina Miranda and other members of the BVB. Further to a review of the proposed IOSCO response the Board made the following comments in relation to revisions;

- A shorter introduction to establish the IVSC's bona fides and credibility.
- Removing or reducing references to third parties, most notably the CFA Institute.
- A softening of the language when referencing other standard setters (in this case, the IASB) and the removal of any negative Language in relation to their work.

Next Steps

The Business Valuation Board is to submit a revised response letter for the Board to consider at their Paris meeting on the 10th October 2023.

Asset Board Updates

BV Board Update

The Board was advised that the main focus of the BV Board was drafting potential amendments to the IVS Business Valuation Standards post agreed revisions to the IVS General Standards and consultation comments received. The Board was also advised that the BV Board was also focussing on drafting a response to the IOSCO Goodwill consultation and drafting the next perspective paper in the intangible assets' series on data and technology.

FI Board Update

The FI Board had recently held a physical meeting in Vancouver and the main focus of the FI Board was reviewing the IVS 500 consultation responses and agreeing revisions to IVS 500 Financial Instruments in light of the consultation responses received and the agreed revisions to the IVS General Standards.

TA Board Update (2023.09.20. TAB Update for SRB meeting 27th September 2023)

The Board was advised that the main focus of the TA Board was revisions to the IVS Tangible Asset Standards. The Board was provided with the following written update; -

The TAB met on 13 September 2023 and since the last SRB meeting the main focus of the TAB has been revisions to the IVS Tangible chapters in order to have the proposed revisions completed in advance of the IVSC October AGM. In order to do this the TAB has focused on the following:

- *Review of IVS 300 Plant, Equipment and Infrastructure consultation responses through weekly meetings of the IVSC TAB IVS 300 working group.*
- *Review of IVS 400 Real Property Interests consultation responses through weekly meetings of the IVSC TAB IVS 400 working group.*
- *Review of IVS 410 Development Property consultation responses through weekly meetings of the IVSC TAB IVS 410 working group.*

In addition to the above the IVSC TAB has also focused on the following:

- 1. Inspection and Investigation requirements for Tangible Asset Valuation.*
- 2. Discussing next steps in relation to Prudential Value.*
- 3. Discussing next steps in relation to the valuation of listed vs unlisted assets.*
- 4. Update on letter to Council of Europe.*
- 5. Preliminary Review of the provisional list of Tangible Asset Board Agenda Consultation topics to be discussed in detail at the TAB October physical meeting.*

Future Meetings

IVSC SRB October AGM Meeting and Public Meeting Agenda (*Finalize any changes to draft as needed, Focus on basis of conclusions, Agenda consultation*)

There was insufficient time to discuss this agenda item in detail and the Board agreed to discuss these topics further at the IVSC SRB physical meeting in Paris in October 2023.

IVSC SRB Physical Meetings 2024 (26 February – 1 March 2024 (*Middle East*) and 13 May – 17 May (*USA*))

There was insufficient time to discuss this agenda item in detail and the Board agreed to discuss these topics further at the IVSC SRB physical meeting in Paris in October 2023.

AOB

No other business.