

IVSC TAB Hong Kong Meeting Update November 2024

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

This IVSC Update highlights preliminary decisions of the IVSC Tangible Assets 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 as set out in the **IVSC Standards Review Board Due Process and Working Procedures**.

The Board met in person on the 19th and 20th November 2024. The topics in order of discussion were:

Administration

- Administration. Welcome and Attendance - Kim Hildebrandt
(IVSC - Hong Kong AGM - TAB Agenda Final)
- IVSC TAB Meeting Update October 2024 - All
(IVSC TAB Meeting Update October 2024 Final)
- SRB and Other Board Updates – Alexander Aronsohn
- IVSC CEO Update – Nick Talbot

Global Insights & Markets Update

Around the World – Markets Update 2024 – What is your most relevant Agenda Consultation Topic

(2024.11.07 - IVS Agenda Consultation Responses)

- *Africa – Molefi Kubuzie*
- *North America – James Gavin, Brendan Gallagher, Kyle TenHuisen*
- *South America – Eduardo Rottman*
- *Asia/Oceania – CK Lau, Sandip Kumar Deb, Kim Hildebrandt, Leo Lo*
- *Europe – Ludmila Simonova, Becky Gaughan, Charles Golding*
- *Middle East – Paakow Winful, Ron Cohen-Seban*

IVS Agenda Consultation

- IVSC and IVS in Review - All
 - *Strengths, Weaknesses, Opportunities, Threats*
 - *Looking backwards, considering the future*
 - *General Standards, IVS 300, 400 & 410*
- Overarching Topic 1 – ESG
 - *Dirk Hennig to present on ESG in Europe*
- Overarching Topic 2 – Technology in Valuation

- Overarching Topic 3 – Valuation Risk and Governance
- TAB Topic 1 – Insurance Valuations
- TAB Topic 2 – Site Inspections
- TAB Topic 3 – Prudential Value
- TAB Topic 4 – Digital Assets
- TAB Topic 5 – Basis of Value
- TAB Topic 6 – Public v Private
- TAB Topic 7 – Trophy Assets
- TAB Topic 8 – Weighting of Inputs and Outputs
- TAB Topic 9 – Agriculture & Biological Assets
- TAB Topic 10 – Compulsory Purchase & Compensation
- TAB Topic 11 – Valuation Review
- TAB Topic 12 – Quality Control & Individual Valuer
- TAB Topic 13 – Natural Resources/Agriculture/Commodities/Extractive

TAB Standard Revisions and Perspective Papers

- Potential combination of IVS 400 and IVS 410
- TAB Identity and Naming Convention
 - Fit for purpose or time for change
- Perspectives Papers, New topics over the next 6 months
 - Actions, Responsibilities, Working Groups – Until March 2025
- AOB – All

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

Administration

Administration. Welcome and Attendance (IVSC - Hong Kong AGM - TAB Agenda Final)

KH welcomed the Board thanked them for attendance.

KH advised the Board that the primary focus of the meeting would be to consider feedback from the Agenda Consultation.

KH further advised the Board that the next steps would be to engage stakeholders, publish perspectives papers and revise the IVS Tangible Asset chapters in advance of the issue of the next IVS Exposure Draft.

KH also advised that at the end of the meeting he would like to have agreed the Board prioritisation for the additional tangible asset topics.

KH added that over the next 6 months the Board would revise the Tangible Asset chapters and in order to finalise these changes the Board would probably meet in Prague.

Next steps

None

IVSC TAB Meeting Update October 2024 (IVSC TAB Meeting Update October 2024 Final)

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 TAB.

Next steps

None.

SRB and Other Board Updates

The Board was advised that the SRB had met in October and the main focus of the meeting was IVSC working group updates and forthcoming perspectives papers.

The Board was further advised that the SRB had also been focussed on the agenda consultation responses.

The Board was also advised that over the next few days the SRB would be focussed on reviewing the agenda consultation responses.

The Board was informed that the SRB would be discussing the agenda consultation key topics and potential revisions to the IVS General Standards.

The Board was further informed that the SRB would also be reviewing the additional topics.

The Board was also informed that the SRB would be discussing the forthcoming perspectives papers.

The Board was advised that further to IOSCO discussions the Board would also be discussing the possibility of creation of a conceptual framework and increasing the link between IVS and financial reporting.

The Board was further advised that the other Asset Boards would also be primarily focussing on the agenda consultation.

Next steps

None.

IVSC CEO Update

NT advised the TAB that IVSC was establishing a presence in the Middle East and Africa and were recruiting a MENEA Director.

NT further advised that the IVSC had set up an Academic Forum, which was a working group that would provide input into the IVSC and help ensure that IVS was taught within university courses.

NT also advised that IVSC had been working on their relationship with IOSCO for some time and that IOSCO was in the latter stages of preparing a report on IVS that should be completed in February.

NT informed that IVSC's main aim was to emerge as a credible organisation.

NT further informed that IOSCO was comparing the IVSC to the IASB and the IAASB.

NT also informed that IOSCO had made the following initial recommendations:

- Creation of a Conceptual Framework similar to the IASB. *(This will identify the ultimate end use of IVS.)*
- Creation of an interpretations committee.

NT advised that IOSCO was looking at things from a professionalism angle, but this would also come with a price tag and the IVSC may need some additional funds to complete these objectives.

NT further advised that IOSCO had made some recommendations in relation to the inclusion of additional standards in relation to Financial Reporting within IVS.

NT added that the IVSC would provide further details on the IOSCO recommendation's when they had received the report.

NT further added that this was a long-term project and the IVSC would give a considered response to the report, once received.

NT also added that from his perspective this was the most exciting evolution in the development of IVS. But until the final report was issued the IVSC was taking nothing for granted.

NT advised that the report may lead to a change in the structure of the IVSC and would also result in the need for more employees.

NT further advised that he hoped that IOSCO would make a public statement on the use of IVS , which may help with providing more resources.

NT also advised that the IVSC was also in communications with the UN and the added that the IVSC had referenced IVS in the UN Global Habitat manual on unregistered land.

NT added that the IVSC had an MOU with WIPO (World Intellectual Property Association).

NT advised that the only standard the UN, WIPO and the World Bank recommend is IVS.

NT further advised that the Asian Development Bank is now a member of IVS.

NT further advised that the World Bank is a sponsor through a personal relationship though due to the size of the organisation it is difficult to find a central point of contact and it largely depends on who is sitting on the team.

NT also advised that the IVSC was involved in a Project with the World Bank in Ethiopia and elsewhere.

NT added that V20 has been growing and IVSC is helping drive this process, but it is politically challenging as there are 175 countries that the IVSC would like to get involved.

NT further added that V20 is trying to get on the G20 agenda and though valuation was mentioned by G20 it was not in a positive way.

NT also added that this was one of many initiatives to raise the profile of the IVS.

NT advised that the IVSC was also involved with APEC (Asian Pacific Economic Cooperation) and are included in their minutes and agenda.

NT added that IVSC have different points of access to this organisation, but it is best to get involved from a country perspective.

NT advised that the IASB, IOSCO and other key stakeholders were interested in the forthcoming perspective paper on private vs public markets.

NT further advised that during 2025 the IVSC was looking to do a joint event with IOSCO and private vs public markets could be a good topic.

NT also advised that the IVSC had also been communicating with the FCA and would provide further details on this initiative in due course.

NT added that many key stakeholders were considering the same key topics (*ESG, Use of Technology in Valuation and Valuation Risk*) as those feature in the IVS Agenda Consultation.

NT further added that Intangible Assets and Public vs Private Markets also seemed to be common key stakeholder topics.

NT asked if there were any questions and as there were no questions NT thanked the TAB for all their hard work and wished them a successful meeting.

Global Insights & Markets Update

Around the World – Markets Update 2024 – What is your most relevant Agenda Consultation Topic? (2024 .11.07 - IVS Agenda Consultation Responses)

Africa – Molefi Kubuzie

MK was unable to provide an update as his flight had been delayed.

North America – James Gavin, Brendan Gallagher, Kyle TenHuisen

JG advised that from his perspective the two most important topics are Insurance Valuation and the Cost Approach.

JG further advised that ESG is still a key topic but in the USA, there has been a slight return to fossil fuels.

BRG advised that use of Artificial Intelligence in valuation and for data gathering were key topics within his firm.

BRG further advised that his firm were having one or two webcasts on artificial intelligence every week.

BRG also advised that EY was currently focussed on operationalising artificial intelligence within their firm.

BRG added that valuation risk was another key topic, but IVSC needed to ensure that their thoughts in relation to valuation risk aligned with the market.

KT advised that the main agenda consultation topic within his market is ESG with the primary focus being on then E.

KT added that it is hard to get true sales analysis in relation to the premium for E.

KT advised that technology is another key topic, and his firm currently has a lot of investment the use of artificial intelligence but more at an operational level.

KT further advised that his firm is largely exploring artificial intelligence for supporting and aggregating data and for quality control.

South America – Eduardo Rottman

ER advised that he had recently attended the following two important meetings in South America:

- V20 meeting in Sao Paolo (both MK and SKD attended)
- UPAV meeting in Chile (ESG was a key topic)

ER further advised that within his markets key topics from the agenda consultation were as follows:

- Use of technology in valuation
- Valuation Risk was particularly important for distressed markets

Asia/Oceania – CK Lau, Sandip Kumar Deb, Kim Hildebrandt

CK advised that in Hong Kong ESG was a priority topic and the market was requiring further guidance on reporting.

CK further advised that investors were interested in the rental premium for green buildings and whether they could adopt a higher value for green buildings.

CK also advised that recycling was not so good in Hong Kong and further advised that more education was required

SKD advised that the Inclusion of IVS 104 Data and Inputs within IVS (*effective 31 January 2025*) had caused some issue in India due to challenges in relation to data quality and transparency.

SKD further advised that valuation risk was a key issue partly emanating from a lack of data.

SKD also advised that the main two topics within his market were:

- *Biological Assets*
- *Compulsory Purchase*

Europe – Ludmila Simonova, Becky Gaughan, Charles Golding

LS advised that within Insurance Valuation and the valuation of damaged assets was a key topic within the Ukraine.

LS further advised that other key agenda consultation topics within Ukraine were as follows:

- Agriculture and Biological Assets
- Trade Related Property and Discount Rates
- Use of Technology in Valuation
- Intangible Assets
- ESG
- Valuation Uncertainty

BG advised that ESG was a priority topic, but people were looking for a methodology, which was difficult to provide without evidence.

BG further advised that the use of the word "*significant*" within the IVS 104 was helpful.

BG also advised that the three key topics in the Agenda Consultation comprising ESG, Use of Technology and Valuation Risk were also key topics within the European market.

BG informed that valuation risk was perceived differently by different stakeholders and whereas the risk of a stock exchange investment could be large the risk of a real estate investment was generally quite small.

BG further informed that in relation to the use of technology in valuation CBRE valuers were required to interrogate and verify data and as a result there was no AI generated data currently used within the firm's valuation reports.

BG also informed that CRBRE was in the process of developing their own AI generated data in order to ensure both the source and quality of data used in valuations.

BG advised that the recent IVSC statement in relation to Prudential Value had prompted a number of queries from European clients, particularly in relation to the data to be used.

CG advised that ESG was a key topic in the UK, particularly from fund managers and secured lenders.

CG further advised that a lot of the responsibility for ESG considerations was on the valuer as for investment valuations the valuer was often the only person who has seen the building.

CG also advised that many corporate clients may have a list of ESG disclosures, many of which are not attributable to valuation.

CG added that the use of technology and artificial intelligence were key topics and in drafting revisions to the Red Book the RICS had to think about the format of reports as hard copy bound reports may no longer be the norm.

Middle East – Paakow Winful, Ron Cohen-Seban

PW advised that ESG was a key topic, particularly as KSA has a carbon economy.

PW further advised that the KSA is looking to transition to more of a green economy before COP 2028 in the UAE.

PW also advised that as part of this process the KSA was constructing the largest global wind farm, electric battery plant and solar plant.

PW added that KSA is in the midst of a green initiative to make Riyadh green by 2030.

RC advised that within Israel ESG was a key topic but also added that this was a very divisive issue and some key stakeholders such as Blackrock had moved away from ESG.

RC further advised that regulation was another key issue but the use of technology in valuation was perhaps the most important issue within his market.

RC also advised Valuation risk was another key issue in his markets but to a certain extent this was embedded in both ESG and the use of technology in valuation.

Next steps

None.

IVS Agenda Consultation

IVS Agenda Consultation

IVSC and IVS in Review - All

The Board was advised that the IVSC had made good progress over the past year with a number of new members joining the IVSC.

The Board was further advised that the IVSC had also made good progress with IOSCO during the past year and that IOSCO was due to issue a report in February 2025.

The Board was also advised that IVS (effective 31 January 2025) had been well received, and further communications would be provided when IVS became effective.

Strengths, Weaknesses, Opportunities, Threats

The Board was advised that the IVSC had received 420 responses to its agenda consultation.

The Board was further advised that the majority of respondents agreed with the following key topics;

- ESG
- Use of technology in valuation risk
- Valuation Risk

The Boards were advised that the IVSC Technical Boards were still in the process of reviewing the agenda consultation responses.

The Board was further advised that the use of artificial intelligence in Valuation appeared to be a key topic, and a number of respondents were requesting additional standards in relation to the use of AI.

The Board was also advised that number of respondents requested technical guidance on key topics such as ESG.

The Board was informed that the provision of technical guidance was beyond the remit of IVS , which is an overarching principle-based standard.

The Board was further informed that these requests would be passed on to the IVSC Advisory Forum.

The Board was also informed that the main focus of the Technical Boards over the next year would be the drafting of the IVS (effective 31 January 2028) Exposure Draft, which is due to go into consultation in January 2026.

Looking backwards, considering the future

The Board was also informed that the main focus of the Technical Boards over the next year would be the drafting of the IVS (effective 31 January 2028) Exposure Draft, which is due to go into consultation in January 2026.

The Board was further informed that the SRB was only considering minor changes to the IVS General Standards at this point in time as the majority of changes had been made in IVS (effective 31 January 2025).

The Board was also informed that as previously the TAB would set up working groups to consider revisions to the IVS Tangible Asset Standards.

General Standards, IVS 300, 400 & 410

The Board generally discussed potential revisions to the IVS Tangible Asset Standards. (IVS 300, IVS 400 and IVS 410)

The Board noted that a number of changes had been made to IVS 300 within IVS (effective 31 January 2025) and therefore it seemed likely that only minimal changes would be required.

The Board discussed the future amalgamation of IVS 400 Real Property Interests and IVS 410 Development Property.

The Board generally considered that this would be a good idea as:

- the contents contained in the two chapters were largely repetitive.
- Development property was a subset of real property interests.

The Board discussed the creation of an IVS 400 and IVS 410 working group to propose potential revisions to IVS 400 and IVS 410 to the TAB.

The Board also discussed whether the IVS Tangible Asset chapters should include a separate section on Trade Related Property valuation, but the general feeling was that this was not required.

Next steps

TAB to set up an IVSC TAB IVS 400 and IVS 410 working group to discuss and agree revisions to IVS.

Overarching Topic 1 – ESG

DH provided a presentation to the TAB on European observations and trends in relation to ESG and Real Asset Valuations.

The ESG presentation covered the following topics:

- 1. Introduction and theoretical background, current market situation, and relevant European legislation.*
- 2. Consideration of ESG factors in real estate valuation, including criteria and approaches.*
- 3. Solutions such as CREEM, retrofit analysis, and scoring models.*
- 4. Outlook on the impact of ESG on future real estate valuation.*

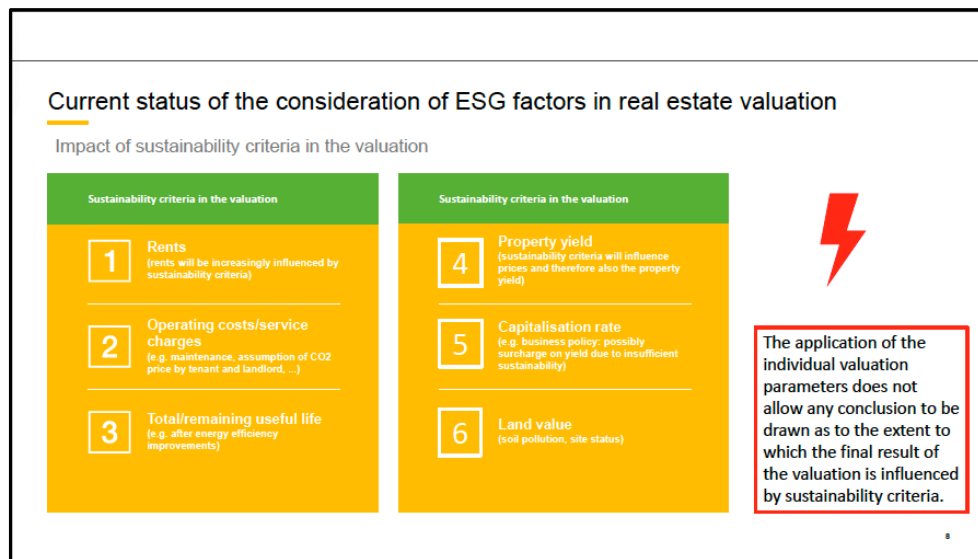
The presentation provided the following overview of investor and media insights:

- Allianz Real Estate emphasizes the importance of ESG standards in attracting and retaining talent.*
- Union Investment highlights the sustainability improvements in their portfolio, such as zero-energy residential projects and timber-framed office buildings.*
- BlackRock and Morgan Stanley stress the necessity of integrating ESG factors to preserve long-term value and manage risks.*

The presentation highlighted the following relevant European legislation:

- Revised Energy Performance of Buildings Directive (EPBD) aims to reduce emissions and energy use in buildings, with targets for decarbonization by 2050.*
- Other relevant regulations include the European Green Deal, Energy Efficiency Directive, Renewable Energy Directive, and more.*

The presentation provided the following summary of the current status of ESG in real estate valuation:



The presentation suggested the following prioritisation:

First tier: Energy efficiency. Direct, identifiable, quantifiable and imminent impact on real estate markets and on the estimation of Market Value.

Second tier: The gradual valuation impacts of sustainability issues and ESG.

The presentation reviewed CRREM: Global warming scenarios for the Real Estate sector and highlighted the following three main features:

1. CRREM has established itself as the market standard for assessing transitional climate risks in the real estate sector and is closely connected with other standards and initiatives such as PCAF and the Science Based Targets initiative (SBTi).
2. CRREM enables the determination of specific energy consumption and CO2 emissions based on country- and building-specific average values.
3. Investors can evaluate their asset based on their climate-related risks and compare their portfolios with average values (emissions and energy KPIs) to derive decarbonization pathways and identify appropriate measures.

The presentation highlighted that the incorporation of ESG into real estate valuation focuses on energy efficiency and alignment with climate targets – retrofit analysis

The incorporation of ESG into real estate valuation focuses on energy efficiency and alignment with climate targets – retrofit analysis

Factors to consider when looking at the sustainability of real estate and valuation:

- Permissibility of operations due to regulatory requirements (e.g. as a result of climate targets)
- Translation of climate targets for the real estate industry as CRREM pathway
- Financing capability due to green asset ratios at banks
- Tenant requirements with regard to sustainability
- Transaction capability

✓

Establishment of CRREM has set a target figure that enables a long-term view of a property with regard to market value stability and permissibility in terms of the European climate protection targets and is recognized by the regulator.

Consideration of refurbishment costs for the creation of CRREM-compliant properties is a logical step (alternatively: refurbishment costs necessary to achieve a certain energy performance certificate class). Especially against the background of a comprehensible and transparent consideration of sustainability in the valuation.

11

The presentation suggested the following scoring model in relation to the incorporation of ESG within real estate valuation:

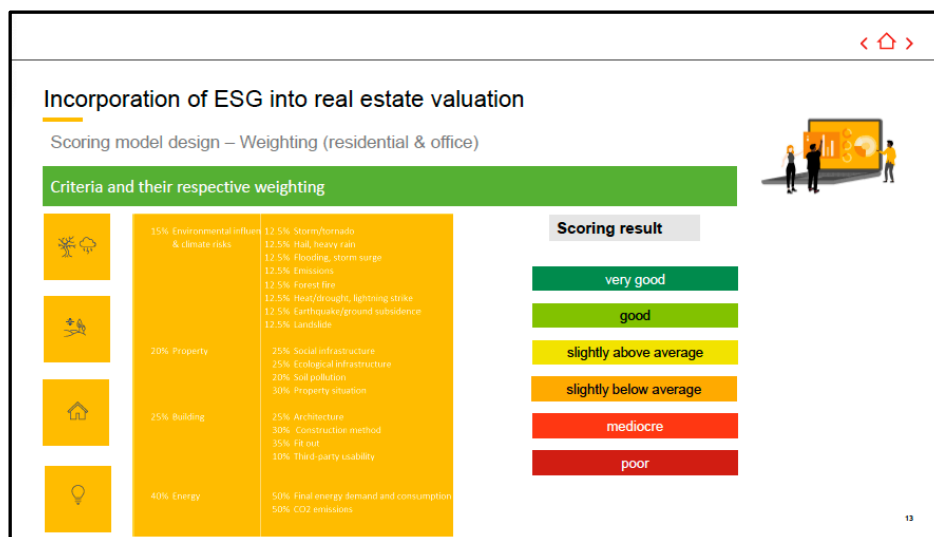
Incorporation of ESG into real estate valuation

ESG scoring model with uniform definition

The following four criteria groups allow for a comprehensive assessment of sustainability

 Environmental & Climate Risks	 Site	 Building	 Energy Consumption
<ul style="list-style-type: none"> • Storm/tornado • Storm surge • Hail/heavy rain • Flooding • Emissions • Volcanic eruptions (?) • Earthquakes (?) 	<ul style="list-style-type: none"> • Social infrastructure • Ecological infrastructure • Soil pollution • Site status 	<ul style="list-style-type: none"> • Architecture • Type of construction • Interior fit-out • Economic efficiency • Third-party usability • Sufficient demand, simple 	<ul style="list-style-type: none"> • = Primary energy demand of the building • Specification in the energy demand certificate • If applicable, final energy demand (stated in the consumption certificate) with conversion factors

12



The presentation provided the following summary on ESG impact on future real estate valuation:

- *The consideration of ESG factors in valuation has evolved significantly over time.*
- *There will be further changes as well as regulatory requirements in the future.*
- *It is advisable to keep an eye on the legal landscape to incorporate new guidelines.*
- *The amendment in the IVS was an important step in including ESG factors in valuation.*
- *The question arises as to how valuers should handle ESG factors in the future. Regarding the real estate sector, an approach could be through adjustments in CAPEX.*
- *The role and job profile of an assessor are evolving in the context of ESG (Environmental, Social, and Governance): technical issues, building certifications, and continuing education in energy consulting.*

The Board also discussed the recent ESG and Real Estate perspectives paper and was advised that the perspective paper had been positively received.

The Board did not feel that TAB needed to do anything more in relation to ESG at this point in time though agreed to keep a watching brief on ESG.

Next steps

TAB to keep a watching brief on ESG though at this point in time did not feel that additional revisions to the Tangible Asset Standards on this topic were necessary.

Overarching Topic 2 – Technology in Valuation

The Board was advised that 93% of Agenda Consultation respondents agreed that the consideration of technology in valuation should be a key topic for the IVSC's boards.

The Board was further advised that the majority of agenda consultation respondents agreed that IVS should include additional requirements in relation to the consideration of Technology within valuations. *(68% yes, 24% no and 8% no response)*

The Board was also advised that a sample of comments received were as follows:

- *Yes, for the mere fact that we now operate in a Technology-based World.*
- *Yes. Using AI Tech.*
- *Maybe. Such as the possible risks of using mainstream technologies to obtain data and inputs, the direction of technology and/or tool application, etc.*
- *The appraiser must always be responsible and never delegate decisions to technology.*

The Board discussed the use of technology in valuation and noted that several valuation service providers included AI within their valuation programs and acceptance of their terms and conditions included granting them access to client's data.

The Board generally discussed transparency, disclosure and the use of drones.

The Board agreed with the statement contained within IVS 105 Valuation Models that *"No model without the valuer applying professional judgement, for example an automated valuation model (AVM), can produce an IVS-compliant valuation."*

The Board accepted that artificial intelligence was developing quite quickly and agreed that the next edition of IVS needed to include further standards in the use of artificial intelligence for both data and valuation models.

The Board discussed whether the next edition of IVS should include standards in relation to sampling and review and challenge for semi-automated and automated valuation models.

CK added that technology could help with the more mundane parts of the valuation process.

CK further added that valuation software company's seemed to be embracing the use of artificial intelligence and IVS needed to find a way to keep up with the pace of forthcoming market developments and should set out some basic principles.

JG advised that most large firms used the same valuation software and was involved in the development of artificial intelligence particularly in relation to data mining.

The Board agreed that valuers should disclose the use of valuation technology in both their scope of work and valuation reporting.

The Board also agreed that the next edition of IVS should have more specific standards in relation to the use of technology in valuation.

The Board agreed that any revisions to the Tangible Asset standards should be driven by revisions to the General Standards but agreed that there should at least be sections on disclosure of the use of technology within valuations.

The Board also discussed and agreed to activate the TAB Use of Technology in Valuation working group.

Next steps

TAB to activate the IVSC TAB Use of Technology in Valuation working group.

Overarching Topic 3 – Valuation Risk and Governance

The Board was advised that 89% of Agenda Consultation respondents agreed that the consideration of technology in valuation should be a key topic for the IVSC's boards.

The Board was further advised that the majority of agenda consultation respondents agreed that IVS should include additional requirements in relation to Valuation Risk. *(65% yes, 25% no and 10% no response)*

The Board was also advised that a sample of comments received were as follows:

- *Yes, it is very important to understand the risk and potential impacts.*
- *Should try to measure the risks and evaluate them*
- *Additional requirement is required regarding valuation risk.*

- *In our view, we believe that the existing requirements in the IVS are adequate.*

The Board noted that there were different types of risk and banks were mainly concerned with market risk.

The Board was advised that the IVSC SRB Valuation Risk working group had been considering the following Valuation Risks:

Risk Category	Risk Type
Proficiency Risk	a. Competency Risk
	b. Professionalism Risk
	c. Ethical Risk
Compliance Risk	d. IVS Compliance Risk
	e. Operation(Process) Risk
Valuation Uncertainty	f. Data and input Risk
	g. Model Risk
	h. Liquidity Risk
Investment Risk	i. Market Risk

The Board was further advised that the IVSC SRB Valuation Risk considered the following valuation risks (highlighted in orange) as the key risks to be considered within the next edition of IVS;

- Data and Input Risk
- Model Risk
- Liquidity Risk

The Board discussed how a lack of comparables could create data and input risk.

The Board further discussed how model risk could be partly dealt with through sensitivity analysis and scenario testing.

The Board also discussed reasonable range but considered that this was something dealt with by the courts in litigation and to a certain extent could vary on a country-by-country basis.

The Board generally did not feel that reasonable range should be included within IVS or under valuation risk.

The Board noted that a lot of these topics were dealt with in IVS 500 Financial Instruments and was advised that where applicable, some of this content may be moved to the IVS General Standards.

The Board considered that IVS should only focus on quantitative elements of valuation risk and also considered that valuers should be transparent in relation to valuation risk.

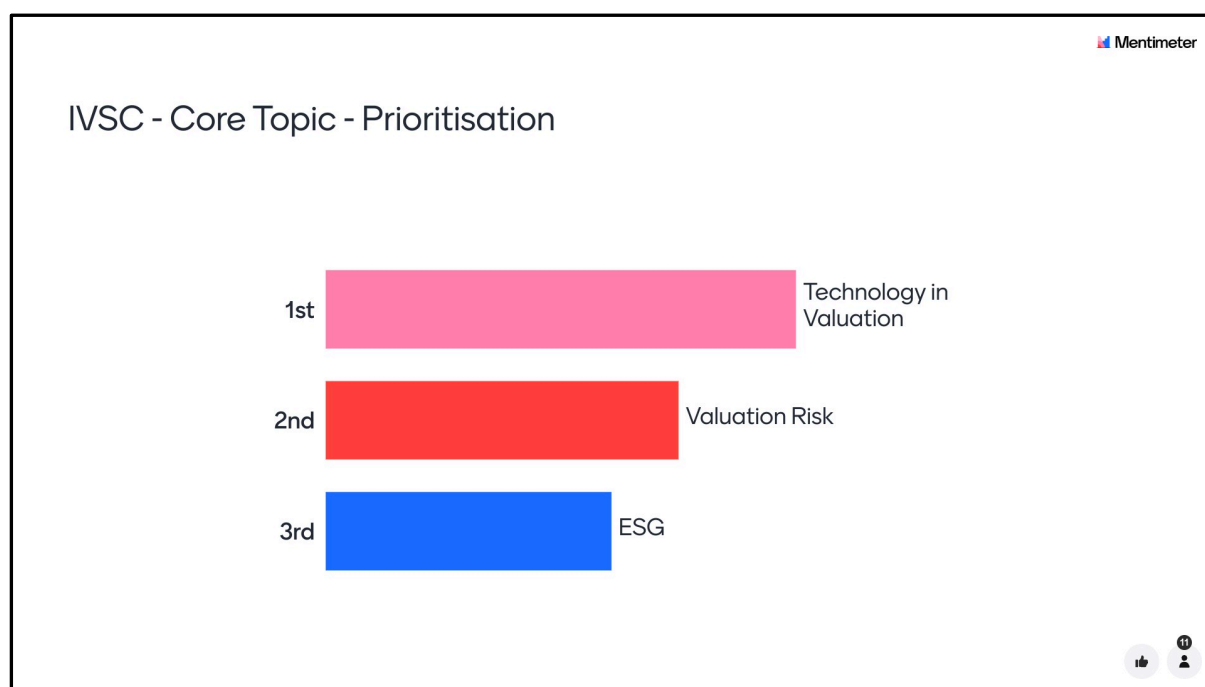
The Board was advised that this would be a main topic of discussion for the SRB over the next few days and that KH and AA would keep the TAB informed of any output emanating from these discussions.

Next steps

TAB to keep a watching brief on Valuation Risk and KH and AA to update the TAB regarding any SRB discussions on this topic.

Key Topic Prioritisation

The Board was asked to provide a prioritisation of key topics via a confidential survey and the results of the survey were as follows:



TAB Topic 1 – Insurance Valuations

The Board began to discuss the topic of Insurance Valuation.

The Board noted that both Estimated Reinstatement Cost and Market Value could be used for insurance valuations.

The Board further noted that the valuation of insurance values, such as whether depreciation was included, varied according to instructions received from the insurer.

The Board discussed the difference types of insurance valuation and noted that land value was not included in insurance valuations (in most countries, including India).

Further Board members noted that the cost approach was often used for insurance valuations.

ER advised that UPAV had its own standard for insurance valuations and said that he could provide the TAB with and English translation.

PA advised that AEV also had a standard for Insurance Valuations and said that she could provide the TAB with and English translation.

KH commented that the variation around insurance valuations was related to inclusions and exclusions, for example sometimes insurance valuation included the cost of removal of debris.

PW commented that agenda consultation responses indicated that the market wanted additional guidance in relation to insurance valuations.

JG said that perhaps the initial step was to issue a perspectives paper on Insurance valuation and to engage stakeholder on this issue to understand market requirements.

KH asked whether an insurance valuation was actually a valuation.

CG advised that under the Red Book Estimated Reinstatement Cost/Insurance Valuation was not seen as a valuation but as an estimate and as such was not part of the Red Book.

JG advised that in USPAP there was guidance and definitions for insurance valuation.

The Board considered that it was important to engage with insurers and underwriters to understand their perspective.

The Board also noted that there was a difference between the way plant, equipment and infrastructure valuers and real estate valuers treated insurance valuations.

The Board agreed that a perspectives paper should highlight the differences in the way insurance valuation is treated both across and within specialisms.

The Board agreed to set up an IVSC TAB Insurance Valuation working group to draft a perspective paper on Insurance Valuations, which would provide an overview of different requirements and highlight the different potential inclusions and exclusions when calculating and Insurance Value.

The timing of the perspectives paper would depend upon topic prioritisation by the Board.

Next steps

ER and PA to provide an English translation of the UPAV and AEV Insurance Valuation standards. TAB to set up an IVSC TAB Insurance Valuation working group to draft a preliminary perspectives paper on the topic.

TAB Topic 2 – Site Inspections

The Board discussed the topic of site inspections and noted that the Perspectives paper on inspections had been well received within the market and had gained a lot of traction in both the UK and USA.

The Board noted that they IVSC was still awaiting a formal response from the API.

AA advised that he had spoken to David Brandon of the API and the TAB should receive a response in the next few weeks.

The Board discussed whether the future IVS Exposure draft should include a section on classification of inspections within IVS 300 and IVS 400.

AA suggested that any such classification could be included in the scope of work and data and inputs sections within IVS 300, IVS 400 and IVS 410.

SKD advised that he had received a number of enquiries in relation to inspection and advised that in India inspection was mandatory.

KH asked AA whether he had received a letter from the Advisory Forum on this topic as they had initially raised it at the Paris AGM.

AA advised that he had not received a letter from the Advisory Forum but had spoken to their chair Ben Elder, who was supportive of the perspectives paper issued on this topic.

The Board discussed how the topic of inspection linked to the use of automated valuation models.

The Board also discussed whether the IVSC should have a view on who carried out the inspection but further to discussion agreed that this was more a matter for the valuation professional organisations, particularly as they may be subject to legislation on this matter.

The Board also noted that in some instances the client would specify in their scope of work that the inspection must be carried out by a valuer.

The Board further discussed the inclusion of inspection within the IVS tangible asset chapters and generally agreed that this would be a good idea but there should be no more than two paragraphs on this topic.

Next steps

AA to chase and share the API response to the Inspections perspectives paper, once received. IVS 300 and IVS 400 and IVS 410 working groups to revise chapters to include approximately two paragraphs on the extent and classification of inspection.

TAB Topic 3 – Prudential Value

The Board generally discussed the latest developments in relation to Prudential Value and generally considered that this was not an issue for IVS as an overarching principle-based standard.

The Board noted that each country within Europe seemed to be deciding their own requirements in relation to complying with Prudential Value.

The Board considered that Prudential Value that was more a matter for the individual Valuation Professional Organisations to provide the requirements for their members.

The Board also agreed that the individual regulators needed to provide each country with their requirements in relation to Prudential Value.

The Board agreed to keep a watching brief in relation to Prudential Value.

Next steps

TAB to keep a watching brief on Prudential Value.

TAB Topic 4 – Digital Assets

The Board discussed the topic of digital assets and non-fungible tokens (NFTs),

The Board further discussed that in some markets tokenisation can be used for the purchase of land title and real estate assets.

The Board also discussed whether this was an issue for the TAB or whether this was just a different form of currency or type of asset.

The Board debated the potential situation were a shopping centre was traded for 20,000 tokens and what this would mean in terms of the Market Value reported.

The Board further debated whether this transaction could potentially turn a tangible asset into a financial instrument such as in the case of REITs.

The Board also debated whether the use of the token was just a way to facilitate the transfer of the asset,

The Board was advised that the Business Valuation Board (BVB) was currently investigating this topic.

The Board considered that they should discuss this topic with the BVB and/or FIB to understand their perspective.

Next steps

TAB to keep a watching brief on Digital Assets and should discuss the topic with the Business Valuation Board and/or Financial Instruments Board.

TAB Topic 5 – Basis of Value

The Board discussed reviewing the conceptual framework for Market Value.

The Board noted that the definition of price within the IVS Glossary stated that *“Price and value may be different.”*

The Board also noted that the market value conceptual framework used the word price approximately twenty-three times and therefore to a certain created some inconsistencies in interpretation of Market Value.

The Board also discussed the following definition of Market Value contained within IVS:

“Market Value: The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

The Board noted that the term “arms-length transaction” was hard to translate and also noted that the TEGoVA Blue Book had revised the definition as follows:

“The estimated amount for which the property should exchange on the date of valuation between a willing buyer and a willing seller acting independently of each other after proper marketing wherein the parties had each acted knowledgeably, prudently and without being under compulsion.”

The Board discussed revisions to both the definition and the conceptual framework but noted that as this framework was widely adopted no changes could be made without engaging with the Advisory Forum.

Next steps

TAB to raise both the definition of Market Value and the Conceptual Framework with the SRB (initially) and Advisory Forum prior to considering revisions to both the definition of Market Value and Market Value Conceptual Framework within the IVS Exposure Draft.

TAB Topic 6 – Public v Private

The Board was advised that the perspectives paper on public vs private markets had been revised and would be discussed by the SRB in their forthcoming meeting.

The Board was further advised that further to previous comments from the SRB the perspective paper had been revised to be more focussed on REITs.

The Board was also advised that AA and KH would provide an update post the SRB meeting.

Next steps

KH and AA to provide a perspective paper update at the next TAB conference call.

TAB Topic 7 – Trophy Assets

The Board was advised that this topic had been raised by the BVB.

The Board was further advised that the term “Trophy Assets” went beyond Real Estate and encompassed not only landmark buildings but also included movable assets (collectibles), Businesses and/or Intangible Assets such as sports franchises.

The Board was also advised that the BVB had been advised of the TAB interest in this topic and that TAB members should form part of any working group.

Next steps

BVB and TAB to set up a joint working group to discuss the topic of Trophy Assets. Timing of the working group will depend upon topic prioritisation.

TAB Topic 8 – Weighting of Inputs and Outputs

The Board was advised that agenda consultation stated the following on this topic:

“IVS (effective 31 January 2025) removed the definition of weighting . Certain stakeholders have stated that this might create ambiguity for practitioners, especially

in Business Valuation. The work will seek to understand whether the IVS (effective 31 January 2025) adequately address the issue of weighting of outcomes from different valuation methods or whether revisions to IVS are required.”

JG advised that he had seen weighting of various valuation approaches used for business valuation in audits for impairment.

JG added that he found the weighting of various valuation approaches and the scenarios used to be very subjective.

JG did not feel that weighting helped with depressed markets and gave the example of San Francisco, where there was 40% office vacancy.

JG further added that from his perspective the valuer should just pick the best valuation approach.

CK advised that in Hong Kong the courts sometimes referred to weighting valuation approaches.

CK said that he considered it would be helpful if IVS reintroduced the definition of weighting within the Glossary of the next edition of IVS.

TAB noted that comparable evidence was often weighted and adjusted prior to being included in valuations.

The Board generally agreed that the definition of weighting should be reintroduced within the next edition of IVS. The current definition of weight should also include reference to inputs.

Next steps

KH and AA to raise the issue of weighting of inputs and outputs at the forthcoming SRB meeting and to discuss the inclusion of the definition of weighting within the next edition of IVS.

TAB Topic 9 – Agriculture & Biological Assets

The Board noted that the Agenda Consultation stated the following on this topic:

“In June 20219 the IVSC Tangible Assets Board (TAB) published a perspectives paper on “A roadmap to valuing agricultural property (including biological assets). Since then the IVSC have updated IVS 400 Real Property Interests to include unregistered

land and in addition to other amendments within the IVS (effective 31 January 2025) have reviewed the examples within the scope of work to include references to Agricultural and Plantation Land and Biological Assets. Further to these revisions the IVSC Technical Boards will be reviewing the IVS 400 Real Property Interests and IVS 410 Development Property to see if additional standards are required in relation to the valuation of Agricultural and Plantation Land and Biological Assets.”

The Board noted that many pension funds had recently begun investing in biological assets for carbon credits.

The Board noted that most of the TAB were not specialists on this topic.

The Board was advised that KH and AA had advised NT that the TAB was looking for an agricultural specialist to join the TAB.

The Board discussed the creation of a working group on this topic but agreed to wait until post the TAB interviews to see if any new members of the TAB were agricultural specialists.

The Board agreed to keep a watching brief on this topic.

Next steps

TAB to keep a watching brief on the topic of Agriculture & Biological Assets.

TAB Topic 10 – Compulsory Purchase & Compensation

The Board discussed the topic of Compulsory Purchase and Compensation.

The Board discussed whether this was a matter for IVS as it related to statutory valuation.

KH advised that in Australia there was specific legislation and case law on this topic.

CG advised that there was a similar situation within the UK and statutory valuations were not included within the Red Book.

CK advised that in China the amount of compensation varied according to the circumstances and that there were specific regulations in relation to this.

PW advised that the KSA had its own laws and manual for compulsory purchase and compensation

The Board noted the interconnection between compulsory purchase and compensation and insurance valuations.

The Board also considered that this could be a good topic for the Academic Forum to discuss.

Next steps

TAB to keep a watching brief on the topic of Compulsory Purchase and Compensation.

TAB Topic 11 – Valuation Review

The Board was advised that the agenda consultation had stated the following on this topic:

“The topic of valuation reviews has featured in several discussions of the TAB and in several recommendations formulated during the Exposure Draft consultation. The topic of valuation reviews has also been discussed in several interactions between the IVSC Technical Boards, particularly when drafting the glossary definitions for “valuation review”, “valuation process review” and “value review” and the inclusions of valuation review requirements within IVS 101 Scope of Work and IVS 106 Documentation and Reporting. The TAB has also been in discussion with other stakeholders with some stakeholders advocating that there should be additional standards on this topic to provide additional guidance on the difference between a valuation, valuation review and audit.”

This topic was the subject of a public meeting.

The Board discussed the definition and nomenclature for “value review” and agreed that the nomenclature was misleading,

The Board agreed that the nomenclature for “value review” should be changed to “valuation components review”.

Next steps

TAB to suggest to the SRB that the nomenclature for that the nomenclature for “value review” should be changed to “valuation components review”.

TAB to consider what recommendations should be put to the SRB in relation to this topic. This will be done by way of a working group.

TAB Topic 12 – Quality Control & Individual Valuer

The Board noted that the Agenda Consultation stated the following on this topic:

“The topic of valuation quality control and the individual valuer has featured in several discussions of the TAB and in several recommendations formulated during the Exposure Draft consultation. The topic of quality control and the individual valuer has also been discussed in several interactions between the IVSC Technical Boards, particularly when drafting the section on Valuation Process Quality Control within IVS 100 Framework. The TAB has also been in discussion with other stakeholders with some stakeholders advocating that there should be additional standards on this topic to provide guidance on how an individual valuer can quality control their own work and manage valuation risk.”

This topic was the subject of a public meeting.

The Board felt that there should be no discriminating between small or large firms on this topic, all firms should be treated the same.

It was noted the significant content on quality control within IVS 500, so of which could be incorporated into the General Standards.

It was also considered that technology goes hand in hand with quality control.

The Board discussed this topic but considered that this was more of an issue for the valuation professional organisations and the Advisory Forum.

Next steps

TAB to keep a watching brief on the topic of quality control and the individual valuer.

TAB Topic 13 – Natural Resources/Agriculture/Commodities/Extractive

The Board discussed this topic and considered that it was related to TAB Topic 9 on Agriculture & Biological Assets and that these two topics should be dealt with together.

The Board discussed setting up a working group on this topic but agreed that the TAB should wait to see whether there would be new TAB members who were specialists on this topic.

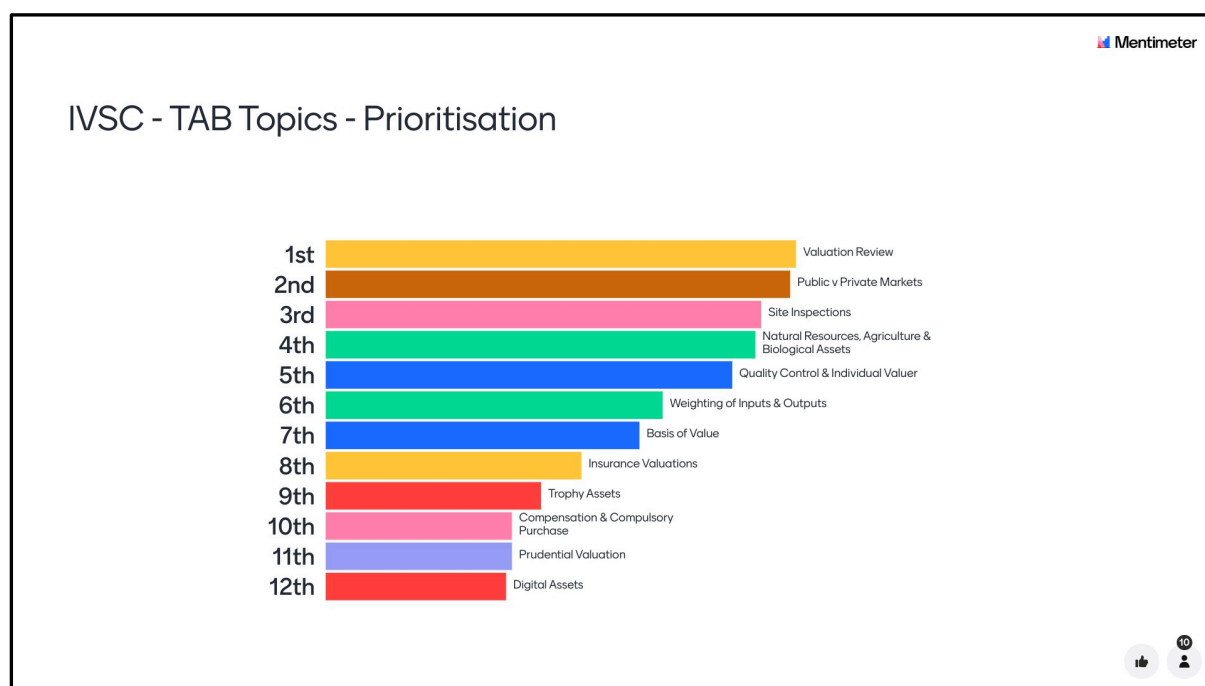
The Board agreed to keep a watching brief on this topic.

Next steps

TAB to keep a watching brief on the topics of Natural Resources, Agriculture, Commodities and Extractive Industries.

TAB Topic Prioritisation

The Board was asked to provide a prioritisation of TAB topics via a confidential survey and the results of the survey were as follows:



TAB Standard Revisions and Perspective Papers

Potential combination of IVS 400 and IVS 410

The Board discussed the potential amalgamation of IVS 400 Real Property Interests and IVS 410 Development Property.

The Board discussed whether IVS 410 should be included as sub heading within IVS 400 or as an Appendices.

Further to discussion the Board agreed to set up an IVSC TAB IVS 400 and IVS 410 working group and asked for volunteers to join the working group.

BG, JG, PW and LL volunteered to join the working group.

The Board asked the working group to create a red line version of any changes.

AA advised that he set up two weekly calls from January 2025.

Next steps

AA to set up an IVSC TAB IVS 400 and IVS 410 working group comprising AA, BG, JG, PW and LL. AA to send out two weekly invites with the meetings starting in January 2025.

TAB Identity and Naming Convention (*Fit for purpose or time for change*)

The Board discussed whether the name of the Tangible Assets Board should be changed to the Real Assets Board as this was a more commonly understood term in some regions.

The Board was advised that no respondents had commented on the use of the term Real Assets within the recently issued perspectives paper on ESG and Real Assets.

Some Board members commented that the term real assets were used in investment management and private equity, and this could create some confusion.

AA advised that any change of nomenclature would result in revisions to the IVSC Bylaws as all reference to the TAB would have to be changed.

KH advised that the term Real Assets was not commonly used in the US.

JG did not think that the TAB should change their nomenclature.

The Board discussed the issue further and considered including a definition of tangible assets within the next edition of IVS or within revisions to IVS 400.

There was no impetus for a name change from the majority of the Board, and as such the name of the Tangible Assets Board should remain as is.

Next steps

The Board to draft a provisional definition of tangible assets to include in the next IVS Glossary or within IVS 400.

Perspectives Papers, New topics over the next 6 months

The Board was advised that the following perspectives papers were due to be published over the next four months:

- *IVSC SRB ESG Survey Perspectives Paper*
- *IVSC SRB Private vs Public Markets Perspectives Paper.*
- *IVSC SRB Use of Technology in Valuation Perspectives Paper.*
- *IVSC SRB Valuation Risk Perspectives Paper.*

Further to discussions the Board agreed that for the next few months the main focus of the Board should be revisions to the IVS Tangible Asset chapters.

The Board agreed that no further Tangible Assets perspectives papers should be issued in the immediate term (pending further discussions).

Next steps

None.

Actions, Responsibilities, Working Groups – Until March 2025

The Board discussed the IVSC TAB 2025 working groups and provisionally agreed the following:

TAB Topic Working Groups

- *IVSC TAB ESG Working Group – temporary sabbatical*
- *IVSC TAB Inspection Working Group – ongoing*
- *IVSC TAB MV/Prudential Value Working Group – on an as needed basis*
- *IVS TAB Technology and Valuation Working Group – to start in 2025*

TAB Standard Setting Working Groups

- *IVSC TAB IVS 300 Working Group – to discuss*
- *IVSC TAB IVS 400 and IVS 410 Working Group – (calls to start January 2025)*

AOB – All

There was no AOB and KH thanked the TAB for their hard work and participation.