

IVSC TAB Meeting Update July 2024

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 remotely on 10 July 2024. The topics in order of discussion were:

Administration

- Administration. Welcome and Attendance - Kim Hildebrandt
(2024.07.10. IVSC TAB Conference Call Agenda PDF)
- IVSC TAB Meeting Update June 2024 - All
(IVSC TAB Meeting Update June 2024)

Global Insights & Markets Update

Around the World – Feedback on ESG & Real Assets perspectives paper
(2024.07.08. IVSC - Perspectives Paper - ESG & Real Asset Valuation - v002)

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

Agenda Consultation

- IVS Agenda Consultation Update – Alexander Aronsohn
(Agenda Consultation 2024 v.11)

Perspective Papers

- Prudential Value Perspectives Paper Update - Kim Hilderbrandt/Alexander Aronsohn
- Listed vs Unlisted Perspectives Paper Update - Kim Hilderbrandt/Alexander Aronsohn

Administration

- Opening up access to the International Valuation Standards- Kim Hilderbrandt/Alexander Aronsohn
(Opening up access to the International Valuation Standards)
- IVSC TAB Working Groups Update - Kim Hilderbrandt/Alexander Aronsohn
(2024.06.24. IVSC TAB Working Groups)
 - A. TAB MV and Prudential Value Working Group
 - B. TAB ESG Working Group
 - C. TAB Inspection Working Group
 - D. AI Working Group
- SRB Conference Call Update - Kim Hilderbrandt/Alexander Aronsohn
- IVSC Hong Kong AGM 2024 - Kim Hilderbrandt/Alexander Aronsohn
 - 19th and 20th November
- IVSC Hong Kong AGM 2024 - Kim Hilderbrandt/Alexander Aronsohn
 - 19th and 20th November
- IVSC TAB Physical Meetings 2025

- *Monday 5th March to Wednesday 7th March (AM) – Toronto*
 - *Monday 9th June to Wednesday 11th June (AM) - Location to be confirmed*
 - *IVSC AGM 2025 - October/November 2025 - India*
- Stakeholder Engagement/Outreach - All
- 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 (2024.07.10. IVSC TAB Conference Call Agenda PDF)

KH welcomed the Board thanked them for attendance and advised the Board that of the Board members that had sent their apologies.

AA advised the Board that he would reach out to the non-attending Board members and would provide a meeting update.

Next steps

AA to reach out to non-attending Board member and provide a Board update.

IVSC TAB Meeting Update June 2024 (IVSC TAB Meeting Update June 2024)

The Board reviewed the IVSC meeting update and agreed that it was an accurate report of the meeting. There were no further revisions suggested and the meeting update was approved by the TAB.

Next steps

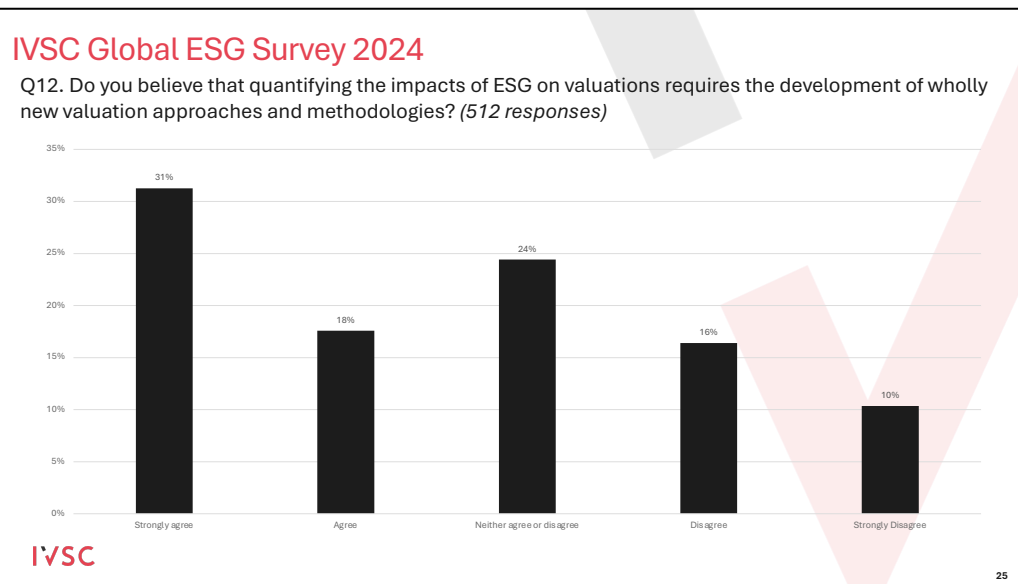
No action required.

Global Insights & Markets Update

Around the World – Feedback on ESG & Real Assets perspectives paper (2024.07.08. IVSC - Perspectives Paper - ESG & Real Asset Valuation - v002)

KH advised the TAB that he had shared the attached draft perspectives paper with the IVSC TAB working group and had revised the perspectives paper according to the comments received.

KH further advised that he had reviewed the initial responses to the IVSC ESG Survey results and that in relation to "Q12. *Do you believe that quantifying the impacts of ESG on valuations requires the development of wholly new valuation approaches and methodologies?*" the IVSC had received the following responses:



KH further advised that once the responses had been finalised he would incorporate some of the responses within the perspectives paper.

KH also advised that further to previous discussions he had revised the perspectives paper, so it referred to all tangible asset classes and not just to plant equipment and infrastructure.

KH added that he had further changed the perspective paper so it referred to Real Assets as opposed to tangible assets..

KH asked the TAB for their views in relation to the perspectives paper, particularly in relation to the following matters:

- *Increased scope of the perspectives paper to deal with all tangible assets.*
- *Use of the term “Real Assets” instead of “Tangible Assets.”*
- **Africa**
 - South Africa - Molefi Kubuzie**
 - MK advised that he was surprised by the response to Q12 and felt that it showed the market required further guidance.
 - MK further advised that the consideration of ESG was just part and parcel of the real estate valuation process and therefore no new valuation methodologies or approaches were required.
 - MK also advised that the response to the ESG survey indicated the need for this perspective paper in order to provide further market guidance on the consideration of ESG within the valuation process.

- MK added that he had no issue in relation to the use of term “*Real Asset*” providing a definition of the term was provided in the perspectives paper stating that real assets include all tangible assets.
- *North America*
 - USA - James Gavin*
 - JG was an apology for this call so did not provide a market update
 - USA - Kyle TenHuisen*
 - KTH advised that he had not had time to fully consider the perspectives paper and would provide his views post meeting.
 - KTH further advised that Real Asset was not a term that was commonly used in the USA and added that he found this term a bit confusing.
 - KTH also advised that Tangible Assets was a more commonly used term in the USA and at Stout tangible assets largely comprise real estate and machinery and equipment.
 - Canada – Brendan Gallagher*
 - BRG apologised and was not present for this agenda item.
- *Europe*
 - Ludmila Simonova*
 - LS advised that ESG was still a new concept for Ukraine.
 - LS was further advised that in Ukraine valuers don’t consider ESG within valuations and are currently more focussed on valuing damages from the war in Ukraine, particularly within the electricity sector.
 - LS added that when valuers calculated the value of war damages, they also needed to look environmental issues.
 - LS further added that the perspective paper on inspection was well received in the Ukrainian market.
 - LS advised that in Ukraine tangible asset was a commonly used term and the term real asset applied to land and buildings and was a subset of tangible assets.
 - Becky Gaughan*
 - BG commented that she felt that this was a good perspectives paper.
 - BG advised that she spent a lot of time explaining the quantification of ESG to valuers.
 - BG further advised that valuers can’t just change numbers without evidence and need to incorporate evidence-based ESG inputs within DCFs.
 - BG added that she felt that it was helpful that the perspective paper provided further clarification on IVS requirements in relation to ESG considerations.

- BG commented that it would be helpful to include some comment on tenant behaviour and how to factor in capex when the tenant leaves.
- BG further commented that she liked the title of the perspectives paper.
- BG advised that in Europe tangible asset was not a commonly used terms and valuers referred to referred to property.
- BG further advised that intangible assets was a commonly used term in Europe.
- BG also advised that she felt that the perspective paper had a good balance between real estate and plant, equipment and infrastructure and did not find that the perspective paper was skewed to either asset class.

Charles Golding

- CG commented that a green premium was implicit within Market Value and that the perspective paper should clarify this as some people misinterpret the green premium and assume it provides a separate value.
- CG further commented that the perspectives paper should also look at what is the value today and what do you need to spend to meet regulatory practice (retrofitting).
- CG also commented that the perspectives paper should clarify how valuers can quantify ESG using current valuation approaches and methods.
- CG added that the perspectives paper should include further guidance in relation to quantifying S and G.
- CG advised that in UK the term property is usually used for tangible assets and tangible assets is more seen as an accounting term for financial reporting.

Paloma Arnaiz

- PA commented that the term real assets could create confusion with other terms such as real rights (i.e. usufruct).
- PW recognised that tangible assets is not a commonly used term and outside the scope of the asset the term tangible assets is not used.
- PW felt that the perspective paper should include an introductory paragraph explain the use of the term of real asset.
- PW also felt that the perspective paper should have an educational element to clarify any market confusions and should highlight that the green Market Value is no different from Market Value.
- PW added that the perspective paper should also refer to green premiums and brown discounts and highlight how this should be taken into consideration under Market Value.

- *South America – Eduardo Rottman*
 - ER advised that the perspectives paper was well organised and clear.
 - ER further advised that he felt that the perspective paper would be extremely useful for Latin America.
 - ER also advised that in Latin America valuers were still confused on how to quantify ESG considerations within valuations.
 - ER added that there was an ESG working group in Latin America and that he would like to share the final perspectives paper with the working group.
 - ER added that though the term real asset worked for Latin America tangible asset was more commonly used.
 - ER further added that in Latin America real assets was more commonly used for real estate whereas tangible asset was used for real estate and plant, equipment and infrastructure.
- *Middle East*
 - Paakow Winful*
 - PW advised that Tangible Assets is a commonly used term in his markets.
 - PW further advised that American firms use the term tangible assets for financial reporting.
 - PW felt that the focus of the perspectives paper need to be wider to incorporate all tangible assets.
 - PW also felt that the. perspective paper was moving in the right direction as there was crossover between tangible assets, an example of which was infrastructure, which could be valued by a real estate or PEI valuer.
 - Ron Cohen-Seban*
 - RC advised that he had not had time to fully consider the perspectives paper and would provide his views post meeting.
 - RC further advised that he was in agreement with the use of the term real asset and felt that tangible assets was more of an accounting term.
 - RC also advised that MSCI used the term real asset for real estate, plant, machinery and infrastructure.
 - RC added that the term real assets originally came from IPD and had been adopted by MSCI when the two organisations merged.
- *Asia/Oceania*
 - CK Lau*
 - CK apologised and was not present for this agenda item.
 - Leo Lo*

- CK apologised and was not present for this agenda item.

Sandip Kumar Deb

- SKD advised that he had not had time to fully consider the perspectives paper and would provide his views post meeting.
- SKD further advised that the term tangible assets was not used in India and technical manuals and statutes referred to land, building, plant and machinery.
- SKD also advised that most valuation courses distinguished between tangible and non-tangible assets.
- SKD added that valuation reports did not refer to tangible assets.

Kim Hildebrandt

- KH thanked the TAB for their comments and advised them that he would revise the perspective paper in advance of the next TAB conference call.
- KH added that he had received some recent comments from The IVSC TAB Working group that he still needed to review.
- KH further added that he would submit a revised perspectives paper to the TAB in advance of the next TAB conference call,
- TAB advised that once the perspective paper had been reviewed by the TAB the perspectives paper would be submitted to the Technical Boards and SRB for publication approval.

Next steps

TAB to provide comments on the perspectives paper by close of play on Wednesday 17th July 2024.

Perspective paper to be revised to include an introductory paragraph explaining the use of the term real assets.

Perspective paper should include further information on the crossover for tangible asset valuations (*i.e. Who values infrastructure?*)

Agenda Consultation

IVSC Agenda Consultation Update (Agenda Consultation 2024 v.11)

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

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

Key Topics

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

Agenda Consultation: Current Topics (0 to 2 years)

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

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

Agenda Consultation: Future Topics (beyond 2 years)

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

- Agricultural and Plantation Land /Biological Assets
- Bases of Value
- Compulsory Purchase
- Early-Stage Businesses

- Insurance Valuations
- Quality Control and Individual Valuer
- Transfer Pricing
- Valuation Reviews

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

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

AA asked the TAB to distribute the Agenda Consultation as widely as possible amongst members and stakeholders.

KH asked AA to thank the IVSC team for the excellent quality of the publication and for all their hard work.

Next steps

TAB to distribute the Agenda Consultation as widely as possible among their members and stakeholders.

ESG Survey Update

ESG Survey Update (2024.07.08. ESG Summary of Responses Bar Charts)

The Board was advised that the IVSC had received 542 responses to the ESG Survey.

The Board further advised that the working group was still in the process of collating the responses and presented a preliminary summary of the responses received.

AA was advised that he will provide a more detailed summary of the responses at the next TAB conference call.

Next steps

AA to provide a detailed presentation of the IVSC ESG Survey responses during the next TAB conference call.

Perspective Papers

Prudential Value Perspectives Paper Update

AA advised that he was in the process of reviewing this perspective paper and aimed to provide a revised draft soon.

RC asked to participate in the redrafting of the perspectives paper.

Next steps

AA and RC to revise the Prudential Value perspectives paper.

Listed vs Unlisted Perspectives Paper Update

KH advised that the listed vs unlisted paper had been redrafted and was in the process of being reviewed by the working group and the SRB.

Next steps

KH to agree revisions to the Listed v Unlisted perspectives paper.

Administration

Opening up access to the International Valuation Standards (Opening up access to the International Valuation Standards)

The Board was advised that *“starting in January 2025, coinciding with the effective date of the latest edition, the IVS will be made accessible free of charge in a digital format to the public via the IVSC’s website. This decision reflects our commitment to support wider market adoption, enhance global awareness, and maintain the integrity and recognition of IVS as the benchmark for valuation standards worldwide.”*

The Board was further advised that *“the subscription-based IVS Online will continue to serve as a valuable resource for accessing archived editions, translated documents, and additional thought leadership materials. This platform will remain freely accessible to our sponsor organisations, while our members will continue to benefit from translated editions and supporting documents through the Members’ Portal.”*

Next steps

None.

IVSC TAB Working Groups Update (2024.06.24. IVSC TAB Working Groups)

A. TAB MV and Prudential Value Working Group

The Board was advised that further to comments received from the BVB and SRB the draft perspectives paper was currently being revised to focus more on valuation risk.

B. TAB ESG Working Group

The Board was advised that that the perspective paper on ESG and Plant, Equipment and Infrastructure was currently being revised.

C. TAB Inspection Working Group

The Board was advised that the Perspective Paper on Inspection had been published and the Board was waiting for the results of the Survey prior to receiving further information.

D. AI Working Group

The Board noted that the use of technology in valuation was a key topic within the IVS Agenda Consultation 2024.

Further to discussion the Board agreed not to activate this working group until the results of the IVS Agenda Consultation 2024 were received.

The Board was advised that the CBV Institute had recently published a primer on Artificial Intelligence.

Next steps

AA to speak to RS about providing an update on the responses received in relation to IVSC Inspection perspectives paper.

AA to share the CBV Institute primer on Artificial Intelligence.

SRB Conference Call Update

The Board was advised that the SRB had a conference call on the 26th of June 2024.

The Board was further advised that the publication of the Agenda Consultation was approved during this conference call.

The Board was also advised that the SRB reviewed the Trophy Assets topic form and that Trophy Assets had been included as a current topic (0 to 2 years) within the Agenda consultation.

The Board was informed that post the Agenda Consultation the SRB would set up a joint BVB and TAB Trophy Assets working group.

The Board was further informed that the SRB reviewed the Draft Response to the IASB IFRS Business Combination Exposure Draft.

The Board was further informed that a number of TAB members had contributed to this response and provided comments in relation to pre and post-tax cashflows.

The Board was also informed that the Exposure Draft response had been revised accordingly and the response had been sent to the IASB.

The Board was advised that the BVB was in the final stages of finalising the Intangible Assets Capstone Draft for publication.

Next steps

None

IVSC Hong Kong AGM 2024

- *19th and 20th November 2024*

The Board was advised that the TAB would be meeting in Hong Kong between the 19th and 20th November.

The Board was further advised that they would have to cover the cost of their hotel room for the 18th of November, but the other accommodation costs would be covered by the IVSC.

The Board was also advised to begin booking their flights for Hong Kong.

Next steps

Board members to begin booking their flights for the IVSC AGM in Hong Kong.

IVSC TAB Physical Meetings 2025

- *Monday 5th March to Wednesday 7th March (AM) - Toronto*
- *Monday 9th June to Wednesday 11th June (AM) - Location to be confirmed*
- *IVSC AGM 2025 - October/November 2025 - Location to be confirmed*

The Board was advised that all the IVSC TAB would be meeting in Toronto between the 5th and 7th March 2024.

The Board was further advised that the location for Board meeting between the 9th and 11th June still had to be confirmed.

The Board was also advised that it had yet been confirmed whether the TAB would be attending this meeting, and this would be discussed in due course.

The Board was informed that the IVSC October AGM 2025 would no longer be held in Singapore and that the IVSC was in the process of discussing alternative locations.

SKD suggested that India would like to host the IVSC AGM.

AA advised the Board that he did not deal with these matters and that SKD should contact NT directly.

Next steps

SKD to contact NT regarding India host the next IVSC AGM in October 2025.

Stakeholder Engagement/Outreach

The Board was advised that KH and AA had provided a presentation to the Australian Taxation Office on IVS.

The Board was further advised that KH, SKD and AA had provided a presentation to AaRVF on the Inspection perspective paper and that the presentation was very well attended.

The Board was also advised that AA would be providing a presentation to the ASA on Valuation Review.

The Board was also informed that PW and AA would be providing a presentation to GHIS.

AA advised that he would be happy to provide an Agenda Consultation presentation to stakeholders to encourage more consultation responses.

ER advised that he had a UPAV meeting in the next few months and would discuss the possibility of the IVSC providing a webinar on both the Inspections perspective paper and the Agenda Consultation.

Next steps

ER to contact UPAV regarding AA provide a webinar on the Inspections perspective paper and on the IVS Agenda Consultation.

AOB

CG advised the TAB that the RICS Red Book Global was currently in consultation and asked the TAB to participate in the consultation.

Next steps

None.