

INTERNATIONAL VALUATION STANDARDS

SUMMARY AND CONSULTATION
QUESTIONS

Consultation period
28 April 2023 to 28 July 2023



IVSC

INTERNATIONAL VALUATION
STANDARDS COUNCIL



Summary and Consultation Questions

IVS Exposure Draft Summary and Consultation Questions

The International Valuation Standards Council (IVSC) sets principles-based International Valuation Standards (IVS) in order to bring confidence to global valuations and reduce valuation risk.

As part of the IVSC's normal processes, the IVS are reviewed on a two-yearly basis by the IVSC's Standards Review Board and Technical Boards (the Boards) to determine whether any part of the IVS would benefit from amendments or updates. This Exposure Draft summary provides an overview of the proposed changes to the IVS General and Asset Standards and includes consultation questions. These questions are to assist the Boards to determine whether the proposed changes address respondents' and market needs.

In performing its review and developing proposed changes to the IVS, the Boards are cognisant of the fact that existing IVS are widely used. The proposed changes are designed to improve clarity and usefulness of IVS for all stakeholders in order to build confidence and public trust in valuation.

The Boards considered a broad range of factors including:

1. ongoing changes in global markets and global valuation, including the increased use of technology and the abundance of available data sources,
2. increased use of specialists and service providers by valuers in the performance of valuations,
3. increased demand by stakeholders, including financial institutions, investors, and regulators, for clarity related to valuation process and the management of valuation risk,
4. additional demands on valuation professionals to address new types of assets or liabilities and to expand the application of valuations into areas such as environmental, social and governance (ESG), and
5. integration of the proposed new financial instruments content.

Based upon the Boards' review, the following updates have been proposed to both General Standards and Asset Standards.

1. adoption of a structure that better aligns with the valuation process,
2. additions or expansions to the requirements for data and inputs, valuation models, quality controls, and documentation to reflect the increased complexities of valuations,
3. certain requirements have been moved between the General Standards and Asset Standards to ensure that the General Standards are applicable to all Asset classes,
4. certain information has been moved to Appendices to improve readability and to provide flexibility,
5. clarification of the roles and responsibilities of the parties involved in valuation, such as service organisations and specialists,
6. substantial revisions and enhancements to IVS 500 *Financial Instruments*.

Structure of International Valuation Standards

The Boards have developed a valuation structure describing the key steps across each stage of a valuation. The goal is to provide a clear, systematic structure to assist in the development and implementation of rigorous and well-controlled valuation processes and address valuation risk.

To assist respondents in understanding key structural changes to IVS, the table below provides a general indication of where certain content within the Exposure Draft was previously located within IVS (effective 31 January 2022).

IVS 2023 Exposure Draft	IVS (effective 31 January 2022)	Comments
Forward	Introduction	Mandatory elements moved to IVS 100 <i>Framework</i>
Glossary	Glossary	Some definitions added and other definitions revised or removed.
IVS 100 <i>Framework</i>	IVS <i>Framework</i>	Now mandatory part of IVS. Includes new section on Quality Control.
IVS 101 <i>Scope of Work</i>	IVS <i>Scope of Work</i>	Some scope of work requirements added (eg, ESG) and Valuation Review scope of work requirements revised.
IVS 102 <i>Bases of Value</i>	IVS 104 <i>Basis/es of Value</i>	Previous parts of chapter that did not apply to all Asset Standards or that provided additional information for practical implementation have been moved to mandatory Appendix.
IVS 103 <i>Valuation Approaches</i>	IVS 105 <i>Valuation Approaches and Methods</i>	Previous parts of chapter that did not apply to all Asset Standards or that provided additional information for practical implementation have been moved to mandatory Appendix.
IVS 104 <i>Data and Inputs</i>	New chapter	New chapter
IVS 105 <i>Valuation Models</i>	New chapter	New chapter
IVS 106 <i>Documentation and Reporting</i>	IVS 103 <i>Reporting</i>	Some reporting requirements added (eg, ESG), new section on Documentation incorporated and Valuation Review Reporting requirements revised.

General Standards are now structured as follows.

- IVS 100 *Valuation Framework*
- IVS 101 *Scope of Work*
- IVS 102 *Bases of Value*
 - Appendix: Bases of Value*
 - Appendix: Premise of Value*
- IVS 103 *Valuation Approaches*
 - Appendix: Valuation Method*
- IVS 104 *Data and Inputs*
 - Appendix: ESG*
- IVS 105 *Valuation Models*
- IVS 106 *Documentation and Reporting*

Asset Standards provide requirements in addition to General Standards for specific types of assets and liabilities as follows:

- IVS 200 *Businesses and Business Interests*
- IVS 210 *Intangible Assets*
- IVS 220 *Non-Financial Liabilities*
- IVS 230 *Inventory*
- IVS 300 *Plant, Equipment and Infrastructure*
- IVS 400 *Real Property Interests*
- IVS 410 *Development Property*
- IVS 500 *Financial Instruments*

IVS Consultation Timeline

International Valuation Standards (IVS) are developed in an open and transparent way through public consultation. The consultation period on the proposed changes opens on 28 April 2023 for 3 months until 28 July 2023.

Comments can be submitted in the following ways:

By personal letter or email to:

- aaronsohn@ivsc.org
- Online via the **IVSC website**
- **Consultation and Summary Questions**

The link takes you through to the relevant page on the website and the respondent can scroll down to find whichever method they prefer to use to respond.

The IVSC will also be providing a series of webinars in May 2023 on the proposed changes to IVS, which will be available via the IVSC website and publicised via eNews.

Subject to responses received the next edition of IVS will be published in January 2024 with an effective date of July 2024.

Summary Consultation Questions

In order to answer the consultation questions below it is necessary to read the General Standards first followed by any applicable Asset Standards.

Respondent details (compulsory)

1. What is your name?
2. What is your job title?
3. Which firm/organisation do you work for?
4. What is your primary location? (*country or world region*)
 - *Africa*
 - *Americas (Canada and USA)*
 - *Asia*
 - *Europe*
 - *Latin America*
 - *Middle East*
 - *Global*
5. What is your role in respect of valuations? (*if other, please specify*)
 - *Academic*
 - *Advisor*
 - *Analyst (please specify, eg, data analyst)*
 - *Asset Manager*
 - *Banker*
 - *Consultant*
 - *Data Provider*
 - *Fund Manager*
 - *Government Employee*
 - *Investor*
 - *Rating Agency*
 - *Regulator*
 - *Researcher*
 - *Service Provider*

- *Specialist*
- *Valuer*
- *Other (please specify)*

6. What is your main area of interest? (tick as many boxes as appropriate)

- *Business Valuation*
- *Financial Assets Valuation*
- *Tangible Assets Valuation*
- *Other (please describe)*

7. Are you responding to these questions as an individual or on behalf of a firm or organisation?

- *Individual*
- *Firm/Organisation*

8. Have you responded to previous IVS consultations?

- *Yes*
- *No*

Exposure Draft Consultation Questions

General Standards

1. The IVSC Technical Standards Boards (the Boards) have enhanced the structure of the General Standards to mirror the valuation process to improve users' ability to understand and apply International Valuation Standards (IVS). Do you believe that this has been accomplished? If not, why not, and what specific changes would you make?
2. In the edition of IVS (effective 31 January 2022), the IVS Framework was included as a preamble and there was a lack of clarity as to whether it was mandatory or not. In the General Standards as proposed in the Exposure Draft, the IVS Framework, now chapter IVS 100 *Framework*, forms a mandatory part of IVS. Do you agree that this should be mandatory? If not, why not, and what specific changes would you make?
3. IVS 100 *Framework* now includes section 30 Quality Control. Do you agree that the new requirements for quality control are clear, complete and provide adequate clarity to ensure compliance with IVS? If not, why not, and what specific changes would you make?
4. IVS 104 *Data and Inputs* has been added to the General Standards. Do you agree that the requirements for data and inputs are clear, complete and provide adequate clarity to ensure compliance with IVS? If not, why not, and what specific changes would you make?
5. The General Standards now include specific requirements for consideration of ESG factors within IVS 101 *Scope of Work*, IVS 103 *Valuation Approaches* and IVS 106 *Documentation and Reporting*. In addition, an ESG Appendix has been included in IVS 104 *Data and Inputs*. Do you agree that the requirements and framework for ESG considerations are clear, complete and provide adequate clarity to ensure compliance with IVS? If not, why not, and what specific changes would you make?
6. IVS 105 *Valuation Models* has been added to the IVS General Standards. Do you agree that the requirements for valuation models are clear, complete and provide adequate clarity to ensure compliance with IVS? If not, why not, and what specific changes would you make?
7. IVS 106 *Documentation and Reporting* now includes section 20 Documentation. Do you agree that the requirements for documentation and reporting are clear, complete and provide adequate clarity to ensure compliance with IVS? If not, why not, and what specific changes would you make?

8. The IVS Glossary is intended to include only defined terms used within IVS. The Glossary now includes additional definitions and others have been revised or deleted. Do you think these changes are appropriate? If not, why not, and what specific changes would you make?
9. Stakeholders requested that the Board provide additional standards regarding valuation reviews. The Board has developed standards related to two types of valuation review (Valuation Process Review and Value Conclusion Review). Do you think these additions are appropriate? If not, why not, and what specific changes would you make?
10. Do you have any other comments or observations?

Asset Standards

Business Valuation

11. The current Exposure Draft includes only minimal changes to IVS 200 *Businesses and Business Interests* through to IVS 230 *Inventory*. Most changes pertain to cross-referencing.

The Boards found that IVS 200 to IVS 230 inclusive:

- effectively represent current international best practice; and
- are congruent with the proposed changes in other sections of IVS.

Furthermore, since the adoption and implementation of these standards are at critical junctures in several key jurisdictions, the Boards have chosen to not make any substantial changes to these chapters.

Do you agree that IVS 200 to IVS 230 should remain substantially unchanged to maintain consistency with IVS General Standards as outlined in the Exposure Draft? If you disagree, please explain your reasoning and provide specific suggestions for changes that you believe would enhance these standards?

Financial Instruments

12. IVS 500 *Financial Instruments* has been restructured to follow the enhanced structure of the General Standards which are now mandatory. The restructured IVS 500 mirrors the valuation process in order to not only improve users' ability to understand and apply IVS but also to ensure that users' can apply IVS 500 in conjunction with IVS General Standards. Do you believe that this has been accomplished? If not, why not, and what specific changes would you make?
13. The revised proposals on IVS 500 *Financial Instruments* include requirements on governance of the valuation process which need to be applied in conjunction with the requirements in IVS General Standards. Do you agree that the requirements for governance are clear, complete and provide adequate clarity to ensure compliance with IVS? If not, why not, and what specific changes would you make?
14. The revised proposals on IVS 500 *Financial Instruments* include requirements on data and inputs which need to be applied in conjunction with the requirements in the General Standards. Do you agree that the requirements

for data and inputs are clear, complete and provide adequate clarity to ensure compliance with IVS? If not, why not, and what specific changes would you make?

15. In line with the Boards' publication plan the revised proposals to IVS 500 now include requirements on methods and models which must be applied in conjunction with the General Standards. Do you agree that the requirements for methods and models are clear, complete and provide adequate clarity to ensure compliance with IVS? If not, why not, and what specific changes would you make?
16. In line with the Boards' publication plan the revised proposals to IVS 500 now include requirements on quality control which must be applied in conjunction with the General Standards. Do you agree that the requirements for quality control are clear, complete and provide adequate clarity to ensure compliance with IVS? If not, why not, and what specific changes would you make?
17. Do you have any other comments or observations in relation to IVS 500 *Financial Instruments*? Is IVS 500 sufficiently detailed and if not, why not and what specific changes would you make?
18. Are there any elements within IVS 500 that should be included within IVS General Standards? If so, please advise which elements?

Tangible Assets

IVS 300 *Plant, Equipment and Infrastructure*

19. IVS 300 *Plant, Equipment and Infrastructure* now includes infrastructure. Is this sufficiently covered and if not, why not and what specific changes would you make?
20. Additional content has been added to IVS 300 in relation to the income approach. Is this sufficiently covered and if not why not and what specific changes would you make?
21. Additional content has been added to IVS 300 in relation to the market approach. Is this sufficiently covered? If not why not and what specific changes would you make?
22. Do you have any other comments or observations in relation to IVS 300? Is IVS 300 sufficiently detailed? If not, why not and what specific changes would you make?
23. Are there any elements within IVS 300 that should be contained within IVS General Standards? If so, please advise which elements?

IVS 400 *Real Property Interests*

24. IVS 400 *Real Property Interests* has been restructured to align with IVS General Standards and as part of this process additional sections have been added to provide additional context on data and inputs and valuation models. Does IVS 400 provide sufficient content and clarity on these topics relative to the content added in the General Standards? If not, why not, and what specific changes would you make?

25. Do the General Standards provide sufficient additional content in relation to the consideration of ESG or should IVS 400 *Real Property Interests* provide additional content? If so, what additional changes would you make?
26. Do you have any other comments or observations in relation to IVS 400? Is IVS 400 sufficiently detailed and if not, why not and what specific changes would you make?
27. Are there any elements within IVS 400 that should be included within IVS General Standards? If so, please advise which elements.

IVS 410 *Development Property*

28. IVS 410 *Development Property* has been restructured to align with IVS General Standards and as part of this process additional sections have been added to provide additional context on data and inputs and valuation models. Does IVS 410 provide sufficient content and clarity on these topics relative to the content added in the General Standards? If not, why not, and what specific changes would you make?
29. Do the General Standards provide sufficient additional content in relation to the consideration of ESG or should IVS 410 provide additional content? If so, what additional changes would you make?
30. Do you have any other comments or observations in relation to IVS 410? Is IVS 410 sufficiently detailed and if not, why not and what specific changes would you make?
31. Are there any elements of IVS 410 which should be included within IVS General Standards? If so, please advise which elements?



International Valuation Standards

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