

## IVSC BVB April 2023 Meeting

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

This IVSC Update highlights preliminary decisions of the IVSC Business Valuation 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 virtually on **18<sup>th</sup> April 2023 at 13:00 UTC**

### **PRESENT:**

- Catalina Miranda (CBV)
- Dan Peckham (Deloitte)
- Elena Moisei (EY)
- Emily Tse (CPPIB)
- Henk Oosterhooft (Kroll)
- Jan Marek (EVI CZ)
- Kevin Prall (EY)
- Nicolas Konialidis,
- Richard J Stewart (PWC)
- Srividya Gopal (Kroll)
- Takako Iwata (KPMG)
- Vikarth Kumar (GT IND)
- Wolfgang Ballwieser (LMU)

### **APOLOGIES :**

- Jay Shaw

### **EXTERNAL PARTIES IN ATTENDANCE:**

- Nil

The topics in order of Discussion, were:

### **Contents**

1. Declaration of conflict of interest
2. Opening remarks
3. Introduction of new Board members
4. Perspective Paper :
5. Future Perspective Papers :
6. Update on ISSB & ESG
7. Update on Valuation risk working group.
8. Logistics for next in-person meetings

## 1. Declaration of conflict of interest

Attendees were asked if they were aware of any conflict of interest arising from this meeting.

No attendee reported any conflict of interest.

## 2. Opening remarks

- The BVB received an update on the timeline for the revision of the IVS and for the public consultation.
- The BVB received an update on the forthcoming perspective papers to be published.
- The BVB was informed that the consultation for the Exposure Draft of the IVS would be the opportunity for outreach by the IVSC in various jurisdictions.

Next steps:

- Earlier perspective papers are to be circulated to new members of the BVB.
- No decision was taken nor any vote held on this topic.

## 3. Introduction of new Board members

- Each member of the BVB introduced himself or herself.

Next steps:

- None
- No decision was taken nor any vote held on this topic.

## 4. Perspective Paper : Valuation of Technology

- The forthcoming Perspective Paper about the Valuation of Technology was discussed.
- The draft has been finalised for content but needs to be edited for style.
- The target publication date is before the 28<sup>th</sup> April 2023 (date of the Exposure Draft consultation); it is unlikely to be met.
- As a matter of course, perspective papers are vetted by other Boards.

Next steps:

- None
- No decision was taken nor any vote held on this topic.

## 5. Future Perspective Papers

- There was a discussion of forthcoming perspective papers:
  - Intangible Assets: Data
  - Intangible Assets: Capstone, including Customer Assets.
- There was a recapitulation of the purpose of the series, which emanated from the observation that Intangible Assets are important.
  - Financial reporting systematically understates the importance of Intangible Assets.
- The audience for this series of papers should not be limited to valuers but should include other stakeholders, including regulators and investors.

Next steps:

- Dissemination of preparatory material on data valuation perspective paper.
- No decision was taken nor any vote held on this topic.

## 6. Update on ISSB & ESG

- There was an update on the relationship between the IVSC BVB and the International Sustainability Standards Board (ISSB).
- There is little interaction between the two organisations.
- The BVB noted that the latest draft of the S1 Proposed Standards (to be finalised in June) removed reference to “Enterprise Value”<sup>i</sup>.

Next steps:

- None
- No decision was taken nor any vote held on this topic.

## 7. Valuation risk working group.

- The Board was informed about the existence of a working group on Valuation risk. This group only includes RJS, Doug Summa, Alex Arohson, and Suzy DuRoss.
- This has several ramifications such as the volatility of valuations, the possible use of valuation ranges and the evolution of valuations over time.
- This is relevant for the use of Intellectual Property as collateral.
- These concepts might be introduced in the standards later.

Next steps:

- None
- No decision was taken nor any vote held on this topic.

## 8. Logistics for next in-person meetings

- Board members were encouraged to book tickets and hotels for upcoming BVB meetings in Tokyo (July 2023) and Paris (October 2023)
- Access to the IVSC website was also discussed.

Next steps:

- None
  
- No decision was taken nor any vote held on this topic.

Meeting ended at 13:58 UTC

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<sup>i</sup> From ISSB December 2022 Staff Paper; For reference only:

8- In October 2022 the ISSB tentatively decided to:

- a. to amend [draft] S1 by removing the definition of ‘enterprise value’ and the words ‘to assess enterprise value’ from the objective and description of materiality, while planning to continue to redeliberate the meaning of ‘enterprise value’ at a future meeting (in particular, how the term could be more clearly articulated and how it is related to material sustainability-related financial information);”

[...]

31- The staff recommended that: the framing and objective of [draft] S1 is clarified to:

- a. describe how the value created, preserved or eroded for an entity (and its providers of financial capital) is inextricably linked to other stakeholders, society and the natural environment;
- b. describe how an entity relies on these resources and relationships (which some may refer to as ‘capitals’) to create value for itself and providers of financial capital;
- c. describe how, in interacting with these resources, an entity creates impacts and dependencies on them, which may 1) positively or negatively affect the resources, and 2) give rise to sustainability-related risks and opportunities that the entity is exposed to; and
- d. describe how sustainability-related risks and opportunities can affect the entity’s performance or prospects, influence its business model or strategy and create or erode the value of the entity or the returns for providers of financial capital over the short, medium and long term.

[...]

34 - By better articulating the two kinds of value and their close relationship, the staff believes that S1 can explain the importance of ‘enterprise value’, which is essentially equivalent to the narrower concept of value, or value created for the entity itself and thus for providers of financial capital. While, in the staff’s view, enterprise value should not be formally defined in [draft] S1, this term can be productive in discussions around the amount, timing and certainty of future cash flows over the short, medium and long term and the value of those cash flows in the light of the entity’s risk profile, and its access to finance and cost of capital. With an appropriate explanation, enterprise value can help link those discussions to the broader concepts of value created, preserved and eroded for other stakeholders, and help to indicate how concepts like cash flows, risk profile, and access to finance and cost of capital are highly related to and dependent on those broader concepts of value