

IVSC TAB Meeting Update April 2023

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 remotely on 19 April 2023

PRESENT:

Kim Hilderbrandt – Chair (KH)	James Gavin (JG)
Sandip Kuma Deb – Vice Chair (SD)	Kyle K Ten Huisen (KTH)
Becky Gaughan (BG)	Ludmila Simonova (LS)
Brendan Gallagher (BG)	Molefi Kubuzie (MK)
C K Lau (CL)	Paakow Winful (PW)
Eduardo Rottman (ER)	Ron Cohen-Seban (RS)

IN ATTENDANCE:

Alexander Aronsohn (AA) – IVSC Technical Director (Tangible Asset Standards)

The topics in order of Discussion, were:

Contents

Work Plan overview

- *23.04.13. IVSC Publication Schedule*

Administration

- *IVS TAB New Member Introductions*
 - *Becky Gaughan*
 - *Kyle K Ten Huisen*
 - *Paakow Winful*
 - *Ron Cohen-Seban*

Research and standard setting

- *IVS General Standards Review Update*
- *IVS Asset Standards Review Update*
- *IVS Exposure Draft Summary and Consultation Questions*

Planning

- *Key Topics for 2024 Agenda Consultation*
- *TAB Working Groups*

Updates & Administration

- *Prudential Value*
- *Valuation of assets in a listed v unlisted environment*
- *Governance*

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

Work plan overview

23.04.13. IVSC Publication Schedule ***(23.04.13. IVSC Publication Schedule)***

The Board met on the 19th of April 2023 and discussed the proposed timetables for some of its forthcoming consultation documents.

The IVS Tangible Assets Standards Board reviewed the proposed publication dates for the following TAB perspectives paper, but no decision was taken: -

- Perspectives Paper ESG and Tangible Assets Valuation Part 2 - 30th September 2023
- Perspective Paper on Prudential Value - 30th September 2023

Next steps

No action required.

Administration

IVS TAB New Member Introductions

- *Becky Gaughan*
- *Kyle K Ten Huisen*
- *Paakow Winful*
- *Ron Cohen-Seban*

The Chair introduced the new members of the TAB to the existing members and asked each member of the TAB (new and old) to provide a two-minute introduction and to advise the Chair and Technical Director of any areas of special interest.

Next steps

No action required.

Research and standard setting

IVS General Standards Review Update (2024.04.18. IVSC 2023 Exposure Draft (Full) v2)

The Technical Director presented the update IVS General Standards Exposure Draft to the IVSC Tangible Assets Board (TAB).

The Technical Director advised that the IVSC 2023 Exposure Draft would go into consultation on Friday 28th April 2023 and that the Exposure draft included the following interactive elements: -

- Definitions are italicised and shown when the mouse is hovered over them.
- Chapters can be accessed via clicking on the contents page or on the chevrons or squares at the beginning of each chapter.
- References can be accessed directly by clicking on the appropriate reference.

The Board was not asked to make any decisions.

Next steps

The TAB were asked to review the IVS General Standards contained in the “*IVS 2023 Exposure Draft*” for any typos or punctuation errors and to provide the Technical Director with any comment or revisions by close of play on 24th April 2023.

IVS Asset Standards Review Update (2024.04.18. IVSC 2023 Exposure Draft (Full) v2)

The Technical Director presented the update IVS Asset Standards Exposure Draft to the IVSC Tangible Assets Board (TAB).

The Technical Director advised the Board that Tangible Asset chapters (*IVS300, IVS400 and IVS 410*) had been restructured to align with the proposed revisions to the IVS General Standards and to include additional sections on data and inputs, models and quality control.

The Technical Director further advised that working groups (shown below) had fully reviewed these chapters.

- ***IVS 300 Plant and Equipment Working Group:***
Alexander Aronsohn, Brendan Gallagher, Dirk Hennig and Kim S Hildebrandt
- ***IVS 400 Real Property Interests Working Group:***

Alexander Aronsohn, Dirk Hennig, Eduardo Rottman, Molefi Kubuzie and Sandip Kumar Deb.

- **IVS 410 Development Working Group:**

Alexander Aronsohn, Eduardo Rottman, Ludmila Simonova , Molefi Kubuzie and Sandip Kumar Deb.

The Board was not asked to make any decisions.

Next steps

The TAB were asked to review the IVS Asset Standards contained in the “*IVS 2023 Exposure Draft*” for any typos or punctuation errors and to provide the Technical Director with any comment or revisions by close of play on 24th April 2023.

IVS Exposure Draft Summary and Consultation Questions (2023.04.12. IVS Exposure Draft Summary and Consultation Questions)

The Technical Director advised that the IVS Exposure Draft Summary had been drafted by the SRB in conjunction with the SRB Bases of Conclusion working group.

The Technical Director further advised that this was a high-level document which provided the following rationale for changes to IVS: -

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).*
5. *Integration of the proposed new financial instruments content.*

The Board reviewed the draft consultation questions for the Tangible Assets chapters.

The Board also asked whether it would be possible to respond anonymously, and the Technical Director advised that he will pass this question to IVSC Communications Director (*Richard Stokes*) as he was in charge of the website consultation pages.

The Board was not asked to make any decisions.

Next steps

The TAB were asked to review the “*IVS Exposure Draft Summary and Consultation*” Questions for any typos or punctuation errors and to provide the Technical Director with any comment or revisions by close of play on 24th April 2023.

Planning

Key Topics for 2024 Agenda Consultation

The Technical Director advised the TAB that the next IVS Agenda Consultation was due to be published in Q1/Q2 2024.

The Technical Director further advised that the IVSC is committed to publishing an Agenda Consultation as part of an open consultative standard setting-process.

The Technical Director advised that the Agenda Consultation provides an update on the previous Gap Analysis included in the IVS Agenda Consultation 2020 together with a summary of potential future topics to gain feedback on the valuation topics that stakeholders feel should be prioritised or added to the IVSC's agenda.

Further top discussion the TAB suggested the following topics: -

- AVMs and Artificial Intelligence (AI)
- Biological Assets (forests, plantations etc)
- Compulsory Purchase
- Data and Data Handling
- Development Property
- Discounted Cashflows
- Environmental, Social and Governance (ESG)
- Impairment of Assets
- Insolvency and Bankruptcy
- Private vs Public Markets
- Prudential Value
- Valuation in a volatile market
- Valuation Risk

The Board was not asked to make any decisions.

Next steps

The Technical Director will share the proposed agenda consultation comments with the IVSC Standards Review Board for consideration and review.

TAB Working Groups (2023.04.13. IVSC TAB Working Groups)

The Technical Director advised that in conjunctions that the IVSC Board Chairs were currently carrying out a review of the IVSC working groups.

The Technical Director further advised that the current IVSC TAB working groups were as follows: -

TAB Working Groups Active

- *ESG Working Group*
- *MV Working Group*
- *IVS 300 Working Group*
- *IVS 400 Working Group*
- *IVS 410 Working Group*

TAB Working Groups on Sabbatical

- *AVM Working Group*
- *Inventory Working Group*
- *Trade Related Property Working Group*

The Technical Director also advised that the current chapter specific (*IVS 300, IVS 400 and IVS 410*) working groups would remain as these would be used for a review of the IVS Exposure Draft Tangible Asset Standard consultation responses.

The Technical Director advised that due to time limitations he would include this topic within the agenda for the next TAB conference call on the 10th May 2023.

The Board was not asked to make any decisions.

Next steps

The Tangible Assets Board members are to advise the Chair and Technical Director of their interest in participating in any working group. The Technical Director is to include the TAB Working Groups as an agenda item for the next TAB conference call.

Updates & Administration

Prudential Value

The Chair and Technical Director provided an update on the recent work carried out by the TAB in relation to the proposed implementation of Basel 3.1 and Prudential Value.

The Technical Director further advised that as part of this process the TAB had written a letter and sent a briefing paper to the Basel Committee on Banking Supervision, met with European Commission, and responded to the Prudential Regulatory Authority (*part of Bank of England*) consultation paper.

The Technical Director further advised that the IVSC TAB had not yet received any response from any of these parties despite offering to meet them in person to discuss these issues further.

The Board was not asked to make any decisions.

Next steps

The Technical Director is to include Prudential Value as an agenda Item for the next TAB conference call.

Valuation of assets in a listed v unlisted environment

The Chair advised that the BVB and TAB had met in person and discussed this topic in Sydney.

The Chair further advised that he was currently finalising a paper outlining the house view on this issue and would share this with the TAB in advance of the next TAB conference call.

The Chair also advised that this issue had caused some brand damage to valuers due to the perceived difference in valuation between the NAV and market capitalisation for the same assets. Many journalists have seen this as evidence of inconsistent valuations and written article on this issue.

The Chair further added that in his opinion probably none of these valuations were incorrect but that it was more of an awareness issue in relation to perception of risk and the solution probably lay in education through the publication of a perspectives paper.

The Chair advised that in advance of any IVSC round table or the publication of any potential perspective paper on this issue the TAB would need to discuss this issue with the other asset boards and the SRB and should carry out the following steps: -

- Identify the difference between NAV and market capitalisation.]
- Explain why the difference is apparent.
- Identify solutions.

TAB discussed this issue further and noted that it was an issue for many firms. The Board was not asked to make any decisions.

Next steps

The Chair is to share the working paper outlining the house view on this issue in advance of the next TAB conference call.

Governance

The Chair advised the TAB on basis governance matters. The Chair further advised that any paper shared with the Board were confidential and should not be shared beyond the TAB unless requested. The Board was not asked to make any decisions.

Next steps

No action required.