

## IVSC TAB Meeting Update March 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 in person and remotely on 20 – 22 March 2023

### **PRESENT:**

Ben Elder – Chairman (BE)

Dirk Hennig (DH)

James Gavin (JG)

Kim Hilderbrandt (KH)

K Lau (CL)

Molefi Kubuzie (MK)

Rengganis Kartomo (RK)

Sandip Deb (SD)

### **VIRTUAL ATTENDANCE:**

C Brendan Gallagher (BG)

Eduardo Rottman (ER)

Ludmila Simonova (LS)

### **IN ATTENDANCE:**

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

The topics in order of discussion were:

### **Contents**

#### **Work Plan overview**

- ***IVSC Publication Schedule 10th March 2023***

#### **Research and standard setting**

- *IVS General Standards Review*
- *IVS 300 Plant equipment and Infrastructure Review*
- *IVS 400 Real Property Interests Review*
- *IVS 410 Development Property Review*
- *IVS Exposure Draft Summary and Consultation Questions*

#### **Discussion**

- *IVSC Prudential Value*
- *Joint Discussion with BVB on the valuation of assets in listed and unlisted environment*

#### **IVSC Working Groups**

- *IVSC Tangible Assets Board Working Groups Update*

## Work plan overview

### **IVSC Publication Schedule 10<sup>th</sup> March 2023** *(IVSC Publication Schedule 10th March 2023)*

The Board met on the 20th of March 2023 and discussed the proposed timetables for some of its forthcoming consultation documents.

Further to discussion and in light of the TAB's focus on revising the IVS Tangible Assets Standards prior to going into public consultation in April 2023 the TAB discussed revising the provisional publication dates for the following TAB perspectives paper as shown below but no decision was made:

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

#### ***Next steps***

The Technical Director will update the publication schedule according to the agreed revised publication dates.

## Research and standard setting

### **IVS General Standards Review – Joint Meeting with the Business Valuation Board** *(2023.03.19. Draft IVS General Standards Exposure Draft with track changes)*

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

The Technical Director further advised that the IVSC Standards Review Board (SRB) had finalised the changes to IVS General Standards Exposure Draft during their Singapore meeting, which was held between 13th and 15<sup>th</sup> March 2023.

The Boards reviewed the IVS General Standards Exposure Draft for fatal flaws and made some comments and proposed some minor revisions to the IVS General Standards and made some additional comments.

The Board was not asked to make any decisions.

#### ***Next steps***

The SRB and the IVSC General Standards Review Drafting Subgroup are to review the comments from the BVB and TAB and to make any consequential amendments prior to publishing the IVS General Standards Exposure Draft and going into a three-month public consultation in the last week of April 2023.

### **IVS 300 Plant equipment and Infrastructure Review**

***(2023.03.10. IVS 300 Plant, Equipment and Infrastructure Exposure Draft with comments)***

The Technical Director advised the Board that chapter 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 group (shown below) had fully reviewed the chapter and revised the nomenclature and some of the contents to include Infrastructure.

#### ***IVS 300 Plant and Equipment Working Group:***

*Alexander Aronsohn, Brendan Gallagher, Dirk Hennig and Kim S Hildebrandt*

The working group advised that they revised the Valuation Approach section to provide additional standards on the use of the Market, Income and Cost Approach.

#### ***Next steps***

The Technical Director will send the revised chapter to the SRB for final review prior to publishing the IVS Exposure Draft in April 2023 as part of a three-month public consultation process.

### **IVS 400 Real Property Interests Review**

***(2023.03.10. IVS 400 Real Property Interests Exposure Draft with comments)***

The Technical Director advised the Board that chapter 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 group (shown below) had fully reviewed the chapter.

#### ***IVS 400 Real Property Interests Working Group:***

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

The working group provided a more detailed update on the revisions to the chapter and the Board discussed the chapter in detail and made some minor revisions to the chapter and agreed that the revised chapter should be sent to the SRB for final review.

#### ***Next steps***

The Technical Director will send the revised chapter to the SRB for final review prior to publishing the IVS Exposure Draft in April 2023 as part of a three-month public consultation process.

**IVS 410 Development Property Review**  
**(2023.03.10. IVS 410 Development Property Exposure Draft with comments)**

The Technical Director advised the Board that chapter 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 group (shown below) had fully reviewed the chapter.

**IVS 410 Development Working Group:**

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

The working group provided a more detailed update on the revisions to the chapter and the Board discussed the chapter in detail and made some minor revisions to the chapter and agreed that the revised chapter should be sent to the SRB for final review.

**Next steps**

The Technical Director will send the revised chapter to the SRB for final review prior to publishing the IVS Exposure Draft in April 2023 as part of a three-month public consultation process.

**IVS Exposure Draft Summary and Consultation Questions**  
**(2023.03.22. 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 discussed and reviewed the document and drafted consultation questions for the Tangible Assets chapters.

***Next steps***

The Technical Director will send the revised Exposure Draft Summary and Tangible Assets Consultation Questions to the SRB for final review prior to publishing the IVS Exposure Draft Summary and Consultation Questions in April 2023 as part of a three-month public consultation process.

**Discussion****Prudential Value*****(RICS High-level - Prudent value feedback.)***

The Technical Director advised that he had received no response from the Basel Committee on Banking Supervision in relation to the letter and briefing paper sent by Alistair Darling on behalf of the SSC.

The Board was further advised that UK Prudential Regulatory (part of the Bank of England) had issued an Exposure Draft on Implementation of Basel 3.1 and responses were due by Friday 31st March.

The Technical Director further advised that he attended an RICS round table on the implementation OF Basel 3.1 on 7<sup>th</sup> March 2023 and provided an update of the discussions and shared the “RICS High-level - Prudent value feedback”.

The Board discussed the RICS high-level feedback and felt that the feedback provided a UK perspective, which did not accord with the views of the IVSC who favoured a common global approach.

Further to discussions, the Board agreed to draft a n overarching response to the PRA, which would include an invitation to meet and discuss the issues further.

The Board was not asked to make any decisions.

***Next steps***

The Technical Director is overseeing the drafting of a response to the PRA consultation and is to share the response with the SRB prior to submitting the consultation response on behalf of IVSC.

**Joint Discussion with BVB on the valuation of assets in listed and unlisted environment  
*(2023.03.21. Valuation of assets in a listed v unlisted environment)***

The BVB and TAB held a joint meeting to discuss the difference in the value between the same assets in a listed and unlisted environment and how this perceived difference was

causing criticism within the press and decreasing public trust in valuations. The discussion centred around the following controversial statements, which were drafted to aid discussion amongst the Boards: -

- *Public markets are always right in determining value (role of independent experts' reports, control premiums, ASIC recent guidance on using market capitalisation)? Or do public markets occasionally act with elements of irrationality, panic or exuberance, and as a result infer price and not value?*
- *There is justification for public market and private market values to be divergent because of the instrument being traded despite having an interest in the same asset class (ie. share in public markets versus land title in private markets, each transact in different markets and have different market participants)?*
- *It is fair to suggest that private markets normally lag price indicators given by public markets (i.e. delays in market evidence becoming available)?*
- *Do the significant discounts occasionally witnessed in the public markets provide an example of what might constitute a bargain asset purchase?*
- *Is the wave of private capital in certain markets, combined with the performance metrics of asset managers that reward outperformance and consistent/low volatility returns, creating an environment for certain asset classes where capital is disproportionately skewed or inefficiently allocated?*
- *Are valuation service providers, and in turn the IVSC, doing all that it can to encourage transparency and promote trust in relation to the valuation of private market assets, or could we be doing more (perhaps in conjunction with regulators)?*

Further to the discussions, the BVB and TAB agreed that they should draft a perspective paper on this issue to increase market understanding of the reasons for differences between valuations in a listed and unlisted environment.

**Next step**

The Boards agreed to draft a perspective paper on the difference between the valuation of assets in a listed and unlisted environment. The Boards further agreed that the perspective paper should be published in Q2/Q3 2023.

**IVSC Working Groups**

**IVSC Tangible Assets Board Working Groups Update**

The Board discussed the IVSC TAB Working Groups and agreed to put them in sabbatical until the IVS Exposure Draft went into public consultation and the new TAB members joined the Board in April 2023.

**Next step**

The status and composition of the TAB working groups are to be discussed during the next IVSC TAB meeting on the 19<sup>th</sup> April 2023.