



IVSC

International Valuation Standards

Organismo Italiano di Valutazione Presentation

Building trust in valuation

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Vice Chair of the IVSC Financial Instruments Board

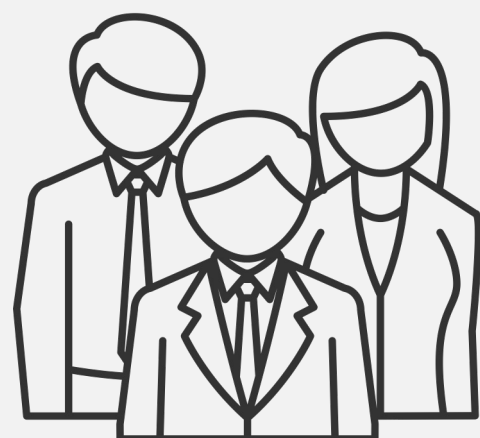
22nd January 2024

Overview of the International Valuation Standards Council (IVSC)

The IVSC's mission is to build trust in valuation by



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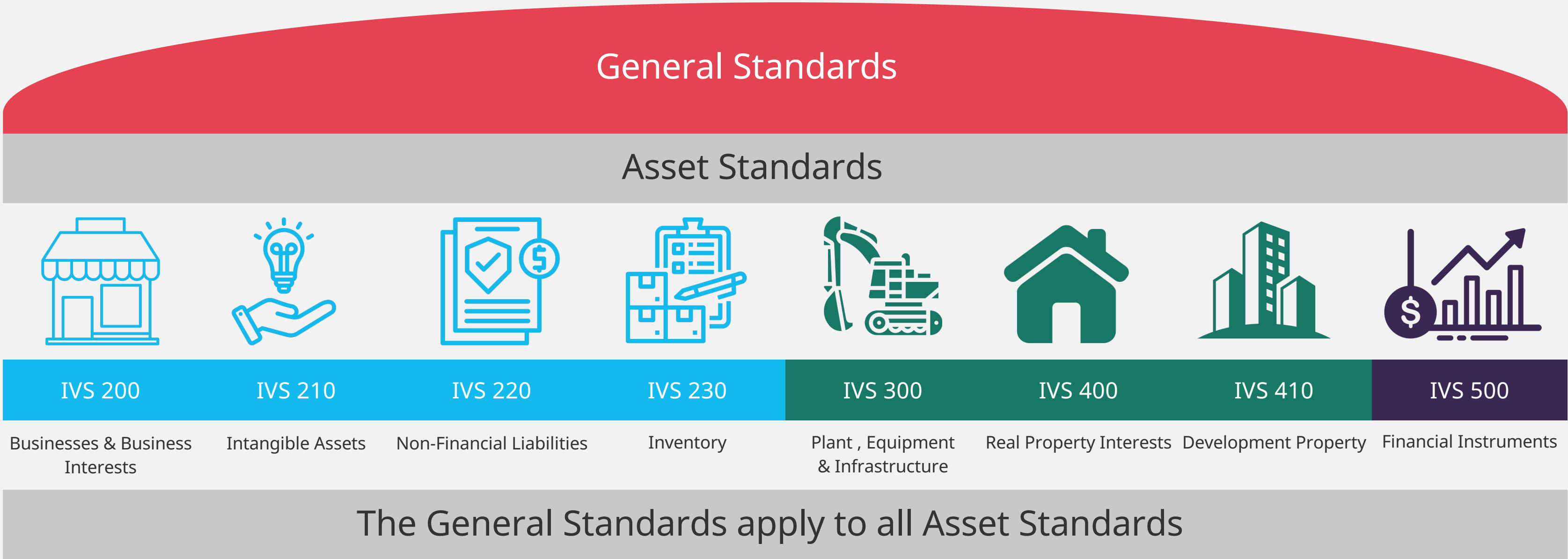


Establishing the International Valuation Standards (IVS)

Encouraging Professionalism for Valuation

- The IVSC is a global organisation founded in 1981
- Partners include other standard setters, regulators, Valuation Professional Organizations, valuation service providers and the end users of valuation information
- IOSCO and the IVSC executed a Statement of Cooperation in October 2022
- IVSC's Standards are principle-based and applicable for valuations of any company, asset or liability

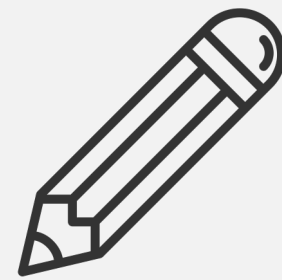
Relationship of IVS General and Asset Standards



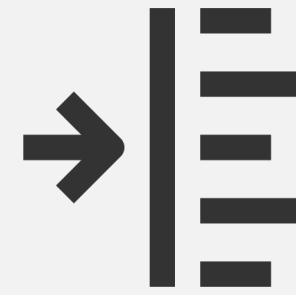
IVS Enhancement Project Goals



Address changes in global markets and global valuation



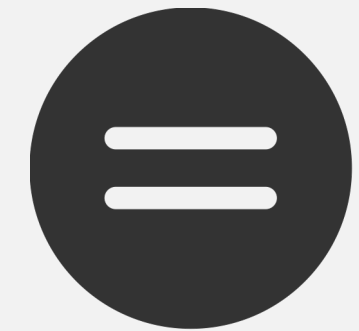
Describe roles and responsibilities of specialists and service providers



Align the IVS with the valuation processes that valuers perform



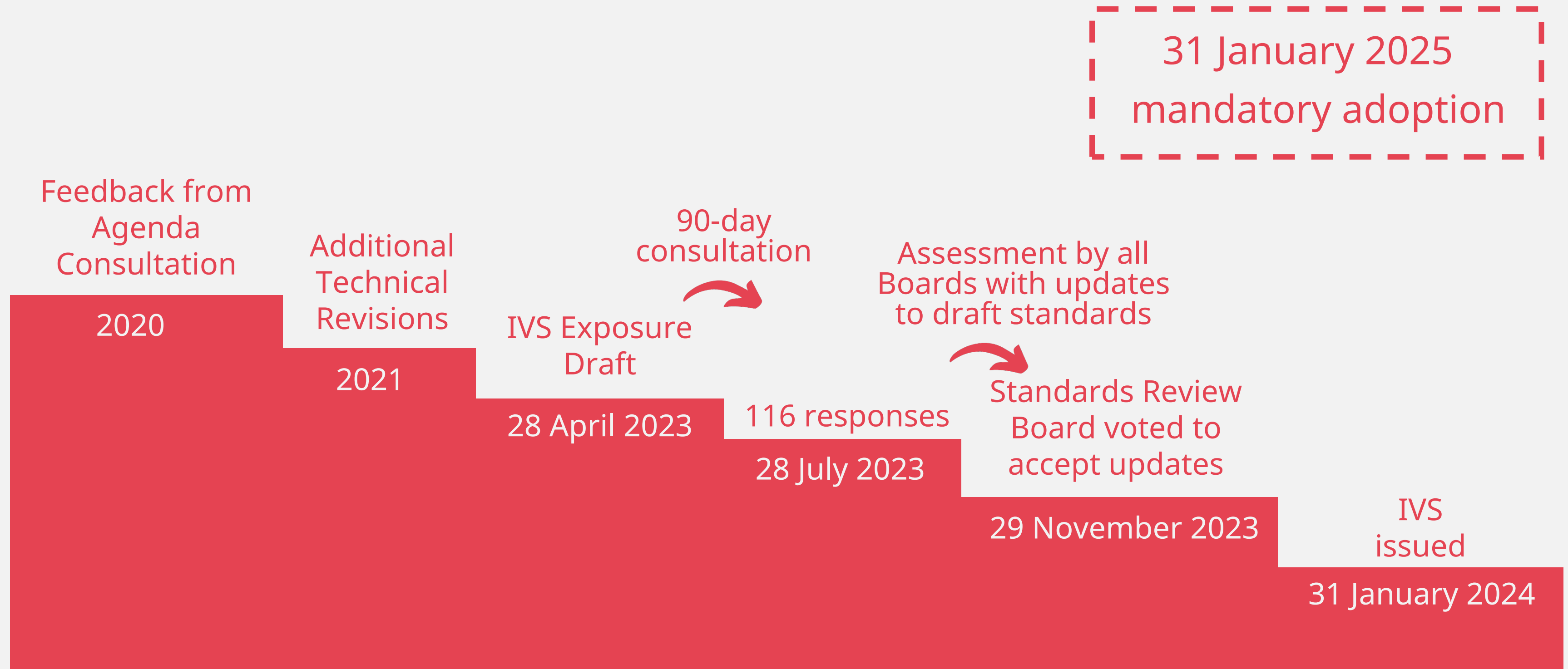
Create standards which allow for new types of assets or liabilities



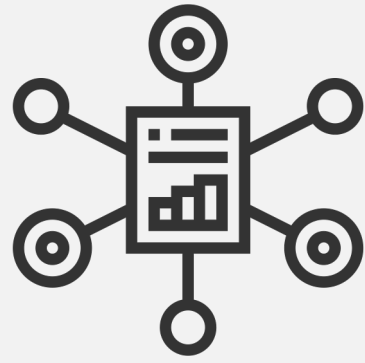
Provide uniform requirements across all assets and liabilities

IVS Standard Setting Process

In updating the Standards, the IVSC followed this process to ensure proper input from stakeholders:



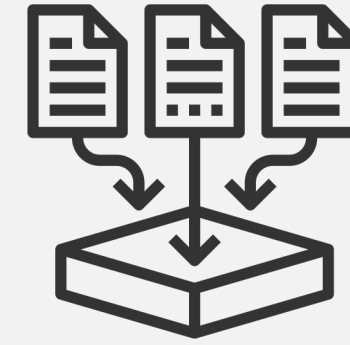
Summary of Key Changes to the General Standards



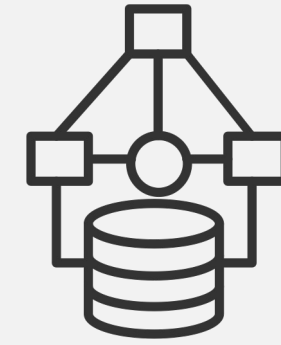
Valuation Framework



Clarification of Key Concepts



Data and Inputs



Valuation Models



Valuation Process Quality Controls

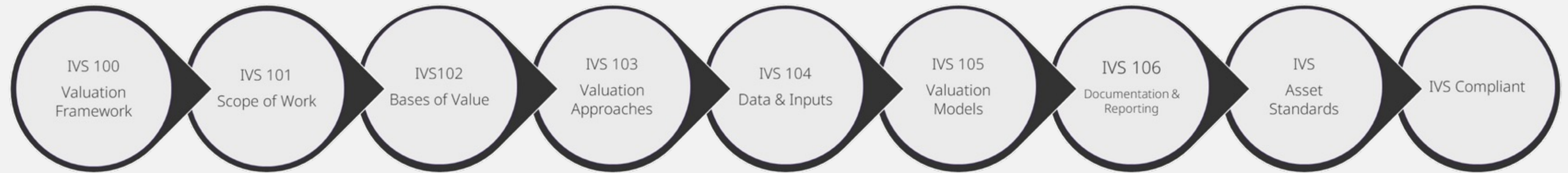


Documentation



Environmental, Social and Governance

Valuation Framework



- IVS developed a valuation framework
- General Standards provides requirement that are applicable across all classes of assets and liabilities
- Asset Standards provide additional requirements for specific assets and liabilities
- Appendices provide additional information and requirements for certain concepts articulated in various chapters

Clarification of Key Concepts

IVS has been updated to help clarify several key concepts including:



- **Requirements** that **must** be followed in all **valuations** and those that **should** be followed in certain circumstances
- Distinctions between **valuations** and **valuation reviews** in describing the scope of work and the type of reporting
- **Clarification** on compliance with IVS and other legal, regulatory and reporting standards

Data and Inputs

A new standards (IVS 104) on Data and Inputs has been added to address the importance of data quality in valuations and requiring valuers to maximise the use of relevant and observable data.



Characteristics of Relevant and Observable Data

The valuer must apply professional judgement to balance the characteristics of relevant data listed below:

- accuracy
- completeness
- timeliness
- transparency

Valuation Models

A new standard (IVS105) on Valuation Models have been added to address their selection and use and stipulating that models must be supplemented by professional judgement to achieve IVS compliance.



Characteristics of Appropriate Valuation Models

The valuer must apply professional judgement to balance the characteristics of a valuation model in order to choose the most appropriate valuation model shown below:

- accuracy
- completeness
- timeliness
- transparency

Valuation Process Quality Control

IVS 100 integrates Valuation Process Quality Control as a core component, ensuring objective, transparent valuations adhering to IVS and mitigating the valuation risk.



There must be valuation process quality controls around the valuation process and a valuer should conclude that the level of valuation risk is appropriate given:

- intended use
- intended user
- characteristics of the asset or liability being valued
- complexity of the valuation

Documentation

A new standard (IVS106) on documentation includes requirements to maintain sufficient records of the valuation process and conclusions.



Documentation should describe professional judgements made during the valuation to assess and manage valuation risk and to promote:

- consistency
- professionalism
- transparency
- comparability
- trust in valuation

Environmental, Social and Governance

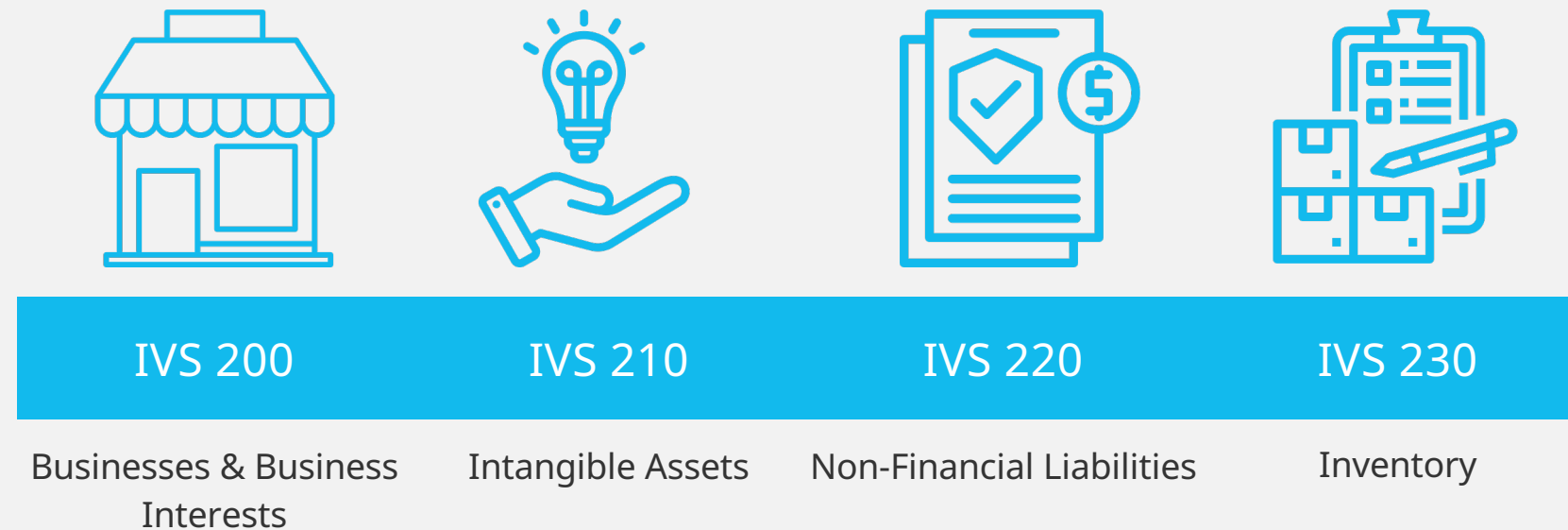
IVS expands Environmental, Social and Governance (ESG) considerations in valuations across all assets and liabilities, but the impact on valuation is still in a development and additional requirements may be needed.



The valuer should be aware of relevant legislation and frameworks in relation to the ESG factors impacting a valuation.

- The impact of significant ESG factors should be considered in determining the value of a company, asset or liability.
- ESG factors and the ESG regulatory environment should be considered in valuations to the extent that they are measurable and would be considered reasonable by a valuer applying professional judgement.

Business Valuation Standards Revisions



- Clarification of perimeter and scope of valuation (e.g. beneficial owner vs legal structure, controlling vs non-controlling interest)
- Clarification of required adjustments in income approach for business valuation
- Streamlining of section on Intangible Asset Economic Life (IVS 210.100) to improve methodological flexibility

Tangible Asset Standards Revisions



IVS 300

Plant , Equipment
& Infrastructure



IVS 400

Real Property Interests



IVS 410

Development Property

- Consequential amendments in line with revisions to the General Standards:
 - Data and Inputs
 - Valuation Models
 - ESG
 - Documentation
- IVS 300 now explicitly includes infrastructure
- Scope of work sections revised and now includes previous investigations section from old IVS 102

Financial Instruments Standards Revisions



IVS 500

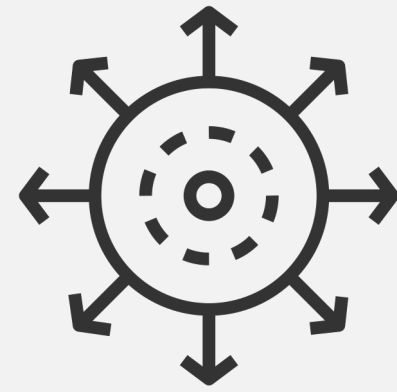
Financial Instruments

- Addressing the needs across broad types of valuations:
 - Developed and developing markets
 - All sizes of firms throughout the world
 - Level 1, level 2 and level 3 securities
 - Single financial instrument through to portfolios
 - One time and on-going (i.e., daily) valuations
- Additional requirements for:
 - Data and inputs
 - Valuation models
 - Valuation process controls and review and challenge
 - Governance

Implementation Considerations



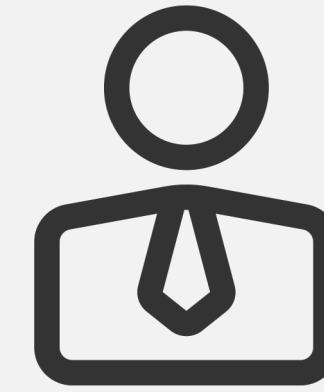
Relationship between the valuer, the client and the user



Internal and external valuation specialists and service organisations



Valuation process controls and review and challenge



Documentation of processes and professional judgements



Execution



Results

Next Steps - Possible Future Topics



- Clarifications related to valuation risk
- Additional requirements for valuation uncertainty and proportionality
- Expansion of requirements for sustainability/ESG
- Consideration of impact of new technology on valuation, including:
 - AI
 - smart contracts
 - blockchain
- Expansion for new types of assets, such as digital assets



IVSC

Thank you!

Please feel free to reach out if you have further questions.

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