IVS Agenda Consultation 2024

First Name: David

Last Name: Brandon

Country: Australia

Are you completing this survey in an individual (private) capacity, or on behalf of your organisation?

On behalf of organisation.

On behalf of my organisation (please specify name of organisation)

Yes, Australian Property Institute

Email: dbrandon@api.org.au

Role/Job Title: Manager Professional Standards

Topic 1: Environmental, Social and Governance (ESG)

Question 1.1: Do you agree that the consideration of ESG in valuation should be a key topic for the IVSC's boards? If not, why?

Yes. But care needs to be taken by the IVSC boards as the IVS should be about the overarching principles and concepts of valuation and the process undertaken by valuers when providing and IVS compliant valuation report.

The requirement for identifying and reporting on ESG factors differs across asset types and it is not a one size fits all scenario.

Valuers should not set or lead the market. The valuer's role is to investigate, observe and interpret the market and apply professional judgement when undertaking a valuation so that the outcome of the valuation process, the valuation report containing the valuer's opinion of value, reflects what knowledgeable, prudent and non-compulsive market participants would negotiate as at the valuation date.

In the case of ESG factors, the extent to which market participants consider those factors when negotiating prices will be tied up in the agreed price for the transaction. While ESG factors may be identifiable, the extent to which they are quantifiable as metrics (components) within market prices is largely unmeasurable at present.

The existing framework of valuation approaches and techniques and methods of analysis permit valuers to consider ESG factors, make adjustments and allowances for identified differences between the market evidence in comparison to the subject asset, thereby considering ESG factors in the valuation process (to the extent that the market participants considered the ESG factors).

The IVSC should continue to monitor this space and provide perspectives papers to encourage discussion on this topic, as well as clear and unambiguous clarification on what the expectations are on valuers when providing IVS compliant valuations.

Question 1.2: Should IVS include additional requirements in relation to the consideration of ESG within valuations? If so, please provide further details and your reasoning.

The IVSC should look to demystify ESG in relation to valuation within the existing framework and concepts of valuation and, further provide valuers with clear guidance that ESG factors should only be considered to the extent that they are a consideration by market participants (as evidenced by market transactions), and that ESG factors should not be separately reported unless there is clear evidence that they are measurable and quantifiable. That is, where the ESG factor is tied up in the market prices they should not be arbitrarily estimated by valuers.

Topic 2: Technology in Valuation

Question 2.1: Do you agree that the use of technology in valuation should be a key topic for the IVSC's boards? If not, why?

Yes, but the IVS should reinforce that valuation is the process the valuer undertakes when providing an IVS compliant valuation report, and the importance of the valuer's professional judgement and scepticism when it comes to reliance on information and data from others. The valuer is ultimately responsible for the investigations, analysis and conclusions reached as well as the content of the valuation report including the value.

Technology is not new, it is a tool that the valuer can use to improve efficiency, but this does not take away from the responsibility of the valuer to check and verify any information used and relied upon in the valuation process.

Question 2.2: Should IVS include additional requirements in relation to the use of technology within valuations? If so, please provide further details and your reasoning.

No. In the context of the parameters outlined in 2.1 it is up to the valuer to decide whether information and data sourced or provided by others is suitable for the valuation process.

Topic 3: Valuation Risk

Question 3.1: Do you agree that the valuation risk should be a key topic for the IVSC's boards? If not, why?

Valuation risk means different things to different people or entities.

The definition of 'valuation risk' in the IVS 2025 Glossary is very narrow and considered difficult for valuers to manage as it is directly related to the valuer's opinion of value. The current definition is;

> "The possibility that the *value* is not appropriate for its *intended use*."

It is the *client* (user) of a valuation report that will be in a position to decide if the outcome of the valuation process (that is, the *valuer's* opinion of *value* contained in the valuation report) is appropriate or adequate for the purpose (*intended use*).

The valuer is only able to manage risks as part of the valuation process, that is, not following proper, accepted practice and processes or not completing a competent/credible valuation report which is appropriate for the purpose to which it was requested. This is valuation risk that a valuer can manage.

Whether the value in the valuation report is suitable for the client's needs should not be the primary consideration for a valuer who is required to provide unbiased, properly researched, transparent and impartial opinions of value based on established valuation fundamentals.

A professional valuer is the only party to a transaction without a direct financial interest in the outcome of the transaction. If the valuer is not independent and unbiased then they are not complying with the *Valuer Principles* contained in IVS 100 *Valuation Framework*.

Question 3.2: Should IVS include additional requirements in relation to the consideration of valuation risk within valuations? If so, please provide further details and your reasoning.

Yes, the IVSC boards need to provide valuers with clear and unambiguous guidance on what they mean by 'valuation risk' as defined in the 2025 Glossary so that when a valuer is instructed to provide an IVS compliant valuation report, they can implement a valuation process quality control regime that enables the valuer to manage 'valuation risk' as defined in the IVS 2025 Glossary and still comply with the overarching principles in the IVS Foreword and the *Valuer Principles* in IVS 100 *Valuation Framework*.

Once the above is satisfactorily addressed, the IVSC boards should consider whether 'valuation risk' for other people or entities also needs to be addressed. Or perhaps the IVS should not define valuation risk and the common meaning of the phrase would be applicable in the context in which it was used.

Agenda Consultation General Questions

1. Are the valuation topics described in this Agenda Consultation areas for which there could be significant improvement as compared with IVS effective 31 January 2025.

   Yes. As described above the valuation profession would benefit from further clarity and guidance on each of the three (3) topics covered in the Agenda Consultation 2024, so that the intention, understanding and application of the IVS as international principle-based standards is not diminished due to mis-interpretation or deliberate and/or unintentional mis-use of the standards.

2. What is the priority of addressing each topic, from a timing point of view - within, or after two years?

   Topic 3 (Valuation Risk) is considered to be a priority and should be addressed immediately, followed by topic 1 (ESG) to reduce confusion amongst valuers as to what is required of them as part of the valuation process. Topic 2 (Technology in Valuation) is important and ongoing but 3 and 1 respectively are definitely the priorities.

3. What should be the IVSC 's next step to address each topic? For example, should the IVSC publish a Perspectives Paper, issue an exposure draft, set up a Working Group, or take some other action?

   For topics 3 and 1 further clarification on what is required of valuers when requested to provide an IVS compliant valuation report that address 'valuation risk' (as defined) and considers 'ESG factors' to the extent that they are measurable …

4. Are there other major valuation topics not described in this Agenda Consultation that the IVSC should consider adding to its agenda?

   Yes. the restructure of the IVS for 2025 included the deletion of IVS 102 *Investigations and Compliance* and the relocation of some of this standard to the specific asset standards.

   However, the specific asset standards also had the "investigations and compliance" sections deleted with the content included under the Scope of Work section. This has the potential to create confusion as the "scope of work" is the instruction stage of a valuation process, and now also includes several paragraphs relating to part of the investigations and procedures that the valuer undertakes, as well as discussions around compliance or non-compliance with IVS due to limitations and restrictions during the valuation process.

   Further clarification from the IVSC on these sections of the Asset Standards would reduce the potential for confusion and mis-interpretation or mis-use of the IVS.
