IVSC PERSPECTIVES PAPER

ESG & Real Asset Valuation

SHARPENING THE FOCUS,
NOT REINVENTING THE WHEEL

IVSC

Issued by the International Valuation Standards Council (IVSC)
Tangible Assets Valuation Board

IVSC Tangible Assets Valuation Board

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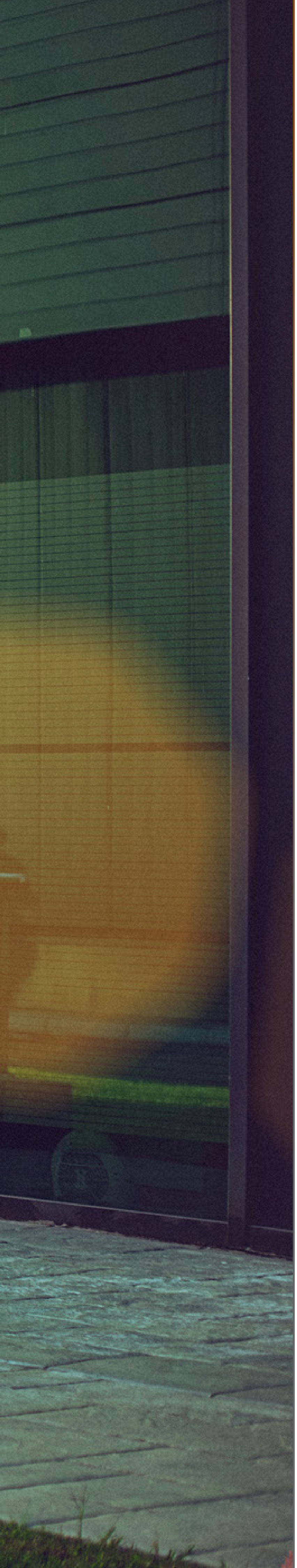
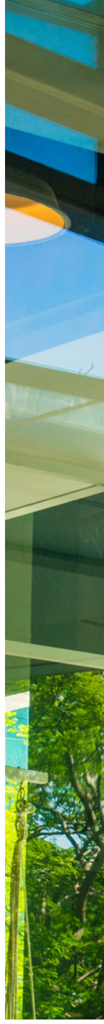


IVSC Perspectives Paper

ESG & Real Asset Valuation: Sharpening the focus, not reinventing the wheel

The IVSC periodically publishes Perspectives Papers to address significant topics and emerging trends within the valuation profession. These papers are designed to stimulate discussion, provide the valuation community with valuable insights, and support the consistent application of the International Valuation Standards (IVS). While Perspectives Papers offer guidance, they are not intended to replace or override the IVS, which remains the authoritative framework for valuers.

This Perspectives Paper focuses on the evolving role of Environmental, Social, and Governance (ESG) factors in the valuation of tangible assets. It follows recent changes to the IVS, including the introduction of an ESG appendix within IVS 104, and addresses the increasing interest and concern from market participants about incorporating ESG criteria into valuation practices. By exploring how ESG factors impact various tangible asset classes—ranging from real estate to infrastructure—this paper aims to encourage informed and confident adoption of ESG considerations within everyday valuation assignments.



ESG & Real Asset Valuation:
Sharpening the focus, not reinventing the wheel

WRITTEN AND ISSUED BY THE
IVSC TANGIBLE ASSETS VALUATION BOARD

The IVSC's Tangible Assets Board (TAB) have issued this Perspectives Paper following the recent changes to International Valuation Standards, effective 31 January 2025 (IVS). These include an Environmental, Social and Governance (ESG) Appendix within IVS 104 Data and Inputs. The Paper also builds on the earlier publication of IVSC's Perspectives Paper on "ESG and Real Estate Valuation"[1]. Furthermore, the recent IVSC ESG survey, which closed on the 31st May 2024, indicated a high level of interest for this topic from valuation stakeholders.

ESG considerations are increasingly being referenced as relevant risks and opportunities by market participants making investment decisions when considering a broad variety of real assets.

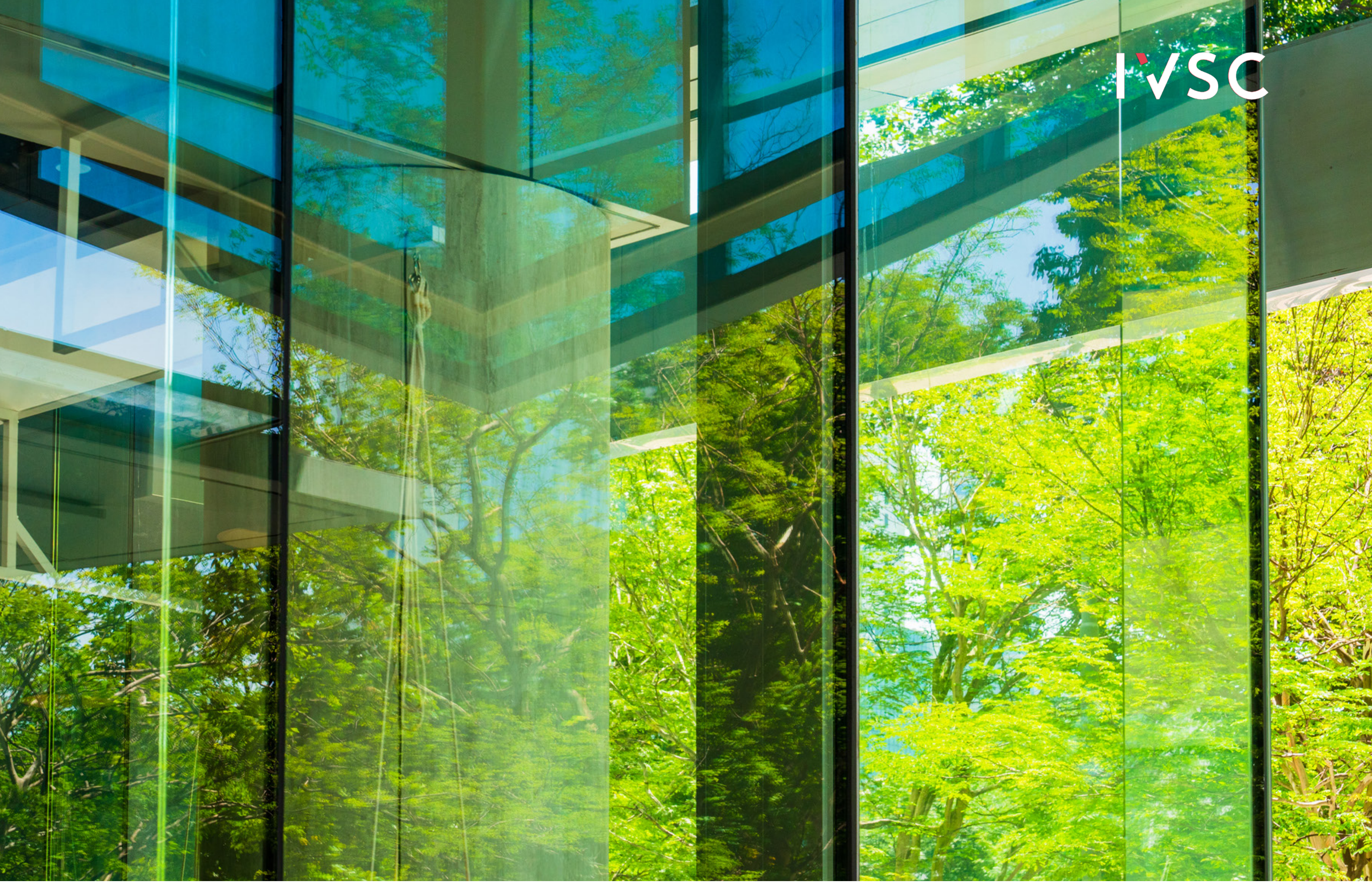
For the purposes of this perspectives paper, real assets include all tangible asset classes such as real estate, undeveloped land, farmland, plant & equipment, infrastructure, transportation assets, utilities and commodities, amongst others.

Whilst the correlation between value and ESG criteria may vary across real assets for a variety of reasons, capital flows appear to be increasingly channelled into asset classes which take into account a variety of ESG determinants.

This comes at a time when there is increasing ESG regulation, examples of which include the EU taxonomy, the recently issued IFRS Sustainability Disclosure Standards created by the International Sustainability Standards Board (ISSB)[2], and the

1 https://www.ivsc.org/esg-and-real-estate-valuation/

2 https://www.ifrs.org/projects/completed-projects/2023/general-sustainability-related-disclosures/



US SEC Enhancement and Standardisation of Climate-Related Disclosures for Investors[3]. This heightened regulation has a direct impact on market participants, causing an indirect knock-on effect to valuation service providers. ESG factors and regulatory environment should be considered in valuations to the extent that they are measurable.

The recent IVSC ESG survey[4] however, highlighted areas of significant stakeholder unease regarding the incorporation of ESG factors into valuation opinions. Perceptions around the lack of suitable valuation approaches and methods creates a cause for concern for valuation standard setters. Some 47% of respondents to the survey believed

'The recent IVSC ESG survey highlighted areas of significant stakeholder unease regarding the incorporation of ESG factors into valuation opinions.'

3 https://www.sec.gov/newsroom/press-releases/2024-31

4 https://www.ivsc.org/esg2024/

that quantifying the impacts of ESG in valuations requires the development of wholly new valuation approaches and methodologies.

But with the backdrop of these challenges, the TAB believe the IVS are well placed to assist valuers in providing valuations of real assets within an evolving ESG paradigm. This Perspectives Paper aims to create greater awareness on the ESG topic as it pertains to real asset valuation, to stimulate discussion and debate, and ultimately provide a calming influence which acts as a catalyst to encourage and give confidence to more widespread use of robust ESG concepts in everyday valuation assignments.

Setting the scene: what are the changes to IVS as it pertains to ESG?

Recent changes to the IVS have incorporated several references to ESG that pertain to real assets. These can be found within the Glossary, the General Standards, and the respective Tangible Asset Standards including IVS 300 Plant, Equipment & Infrastructure; IVS 400 Real Property Interests; and IVS 410 Development Property.

Whilst these changes are subtle, the incorporation of new terminology gives the valuation community impetus for more detailed and explicit consideration of ESG's influences on valuation. We now consider each in further detail.

Glossary

Collectively, ESG has been defined within IVS as:

> The criteria that together establish the framework for assessing the impact of the sustainability and ethical practices, financial performance or operations of a company, asset or liability. ESG comprises three pillars: Environmental, Social and Governance, all of which may collectively impact performance, the wider markets and society.

ESG should not be viewed as being solely limited to sustainability. ESG is regarded by many as having a much broader definition than merely sustainability.

General Standards

Within IVS 101 Scope of Work, the scope of work must specify, amongst other factors:

> (m) Environmental, Social and Governance factors: Any requirements in relation to the consideration of significant environmental, social and governance factors.

The Appendix to IVS 103 Valuation Approaches, adds a requirement to analyse and adjust for any significant differences between comparable transactions and the subject asset:

> A10.08 The valuer should analyse and make adjustments for any significant differences between the comparable transactions and the subject asset. Examples of common differences that could warrant adjustments may include, but are not limited to:

...

(l) differences in ESG considerations, and

...

Perhaps the most salient change in relation to ESG occurs within the Appendix to IVS 104 Data and Inputs, where valuation professionals are prompted regarding various ESG factors impacting a valuation:

> The valuer should be aware of relevant legislation and frameworks in relation to the environmental, social and governance factors impacting a valuation.
>
> A10 Environmental, Social and Governance (ESG) Considerations
>
> A10.01 The impact of significant ESG factors should be considered in determining the value of a company, asset or liability.
>
> A10.02 ESG factors may impact valuations both from a qualitative and quantitative perspective and may pose risks or opportunities that should be considered.
>
> ...
>
> A10.06 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 the valuer applying professional judgement.

The use of the word 'significant' should be noted. It is defined in the IVS Glossary as 'any aspect of a valuation which, in the professional judgement of the valuer greatly impacts the resultant value'. Furthermore, the valuer should have an awareness that ESG can represent either 'risks or opportunities' associated with an asset.

Emphasis should be placed on the fact that it's not the valuer's role to invent ESG characteristics; valuers are not market makers. Rather, the valuer should interpret the collective actions of market participants and consider ESG characteristics 'to the extent that they are measurable and would be considered reasonable by the valuer applying professional judgement'.

A full quotation of the IVS 104 Data and Inputs Appendix can be found as an addendum to this Perspectives Paper.

Finally, IVS 106 Documentation and Reporting states that:

> 30.06 Valuation reports must convey the following, at a minimum:
>
> …
>
> (m) significant environmental, social and governance factors used and considered,
>
> …

Asset Standards

Each of the Tangible Asset Standards (IVS 300, IVS 400 and IVS 410) have mirrored requirements for the consideration of ESG factors, reiterating commentary within the General Standards by stating:

> 100.06 Significant ESG factors associated with the value of an asset should be considered as part of the data and input selection process.

To be IVS compliant, a real asset valuation must meet the requirements of the General Standards, the Appendices, as well as the relevant Asset Standards pertaining to the assets under consideration. If legal, statutory, regulatory and/or other authoritative requirements appropriate for the purpose and jurisdiction of the valuation conflict with IVS, such requirements should be prioritised, explained, documented, and reported to remain compliant with IVS. These requirements include applicable ESG prescriptions.

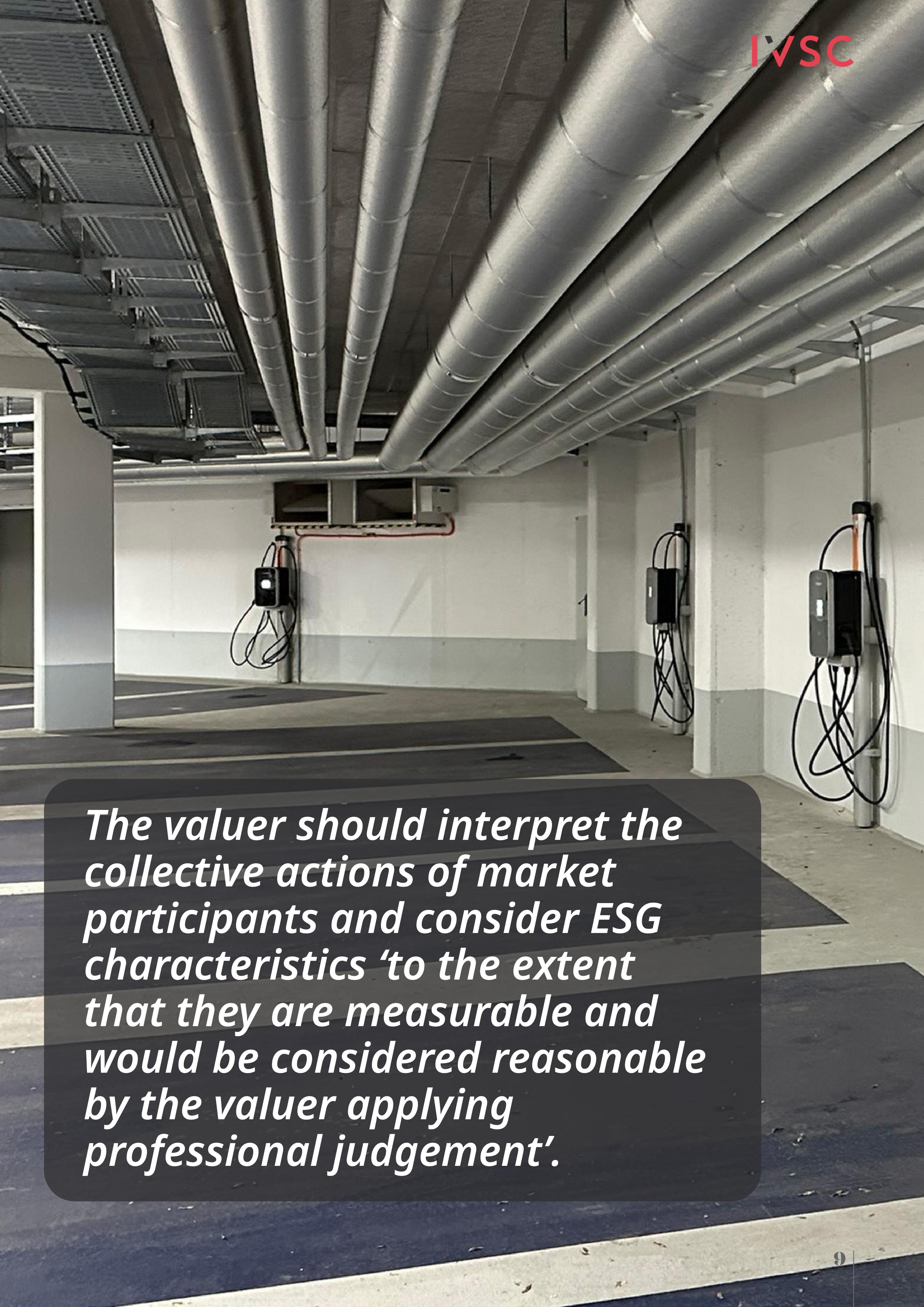
How should valuers think about applying E, S and G in a real asset context?

IVS 104 Data and Inputs Appendix, sections A10.03, A10.04 and A10.05 give examples of how valuation professionals might consider environmental, social and governance factors respectively. Whilst not exhaustive, these sections are designed to prompt the valuer to consider the possible influence of these factors within a valuation assignment.

From a real asset perspective, examples of questions that valuers might pose include:

Environmental

- How does the asset contribute to pollution (air, water, land or otherwise)?
- Will the asset be subject to climate change risks or natural disasters?
- How do the characteristics of the asset deal with resource scarcity, consumption or efficiency (e.g. energy, water, raw materials)?
- Is the asset constructed from recyclable materials?
- Does the asset have appropriate waste management protocols in place to promote circularity through recycling or repurposing?
- Does the asset need upfront capital



The valuer should interpret the collective actions of market participants and consider ESG characteristics 'to the extent that they are measurable and would be considered reasonable by the valuer applying professional judgement'.

expenditure or recurring maintenance outlays to meet compliance demands?

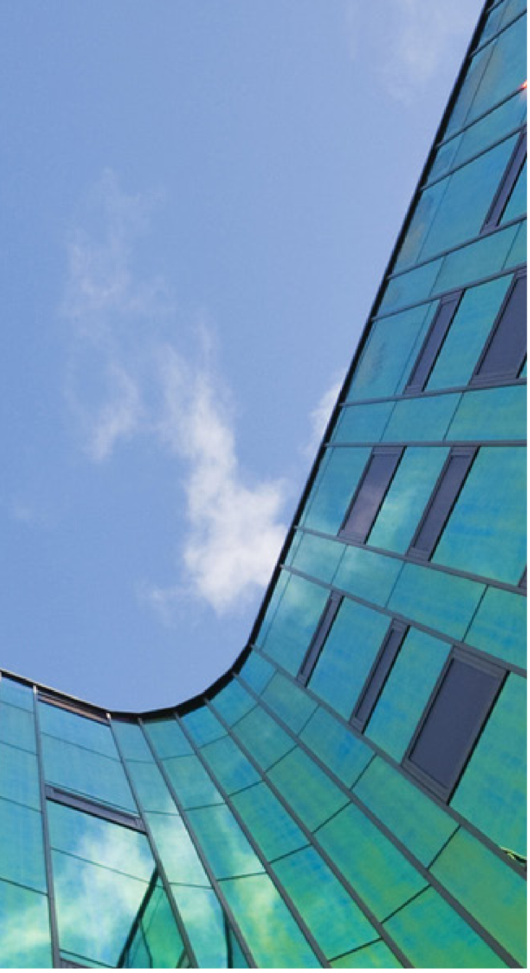
- Will government policies impact the assets' useful life?
- Does the asset have an extended useful life relative to its peers?

Social

- Is the asset located near adequate public services and social amenities?
- Does the asset have access to a deep pool of employee talent?
- Is the asset located in proximity to sufficient product demand?
- Is the asset well regarded by the community in the area in which it operates?
- Does the asset adequately safeguard data protection and privacy?
- Does the asset manufacturer provide adequate training and education?
- What reputation does the asset have with operators, authorities and counterparties?
- Does the asset have an adequate health and safety record?

Governance

- How do market participants and/or lessees regard the asset?
- What are financing prospects of the asset?
- Are purchasers/lessees willing to pay a

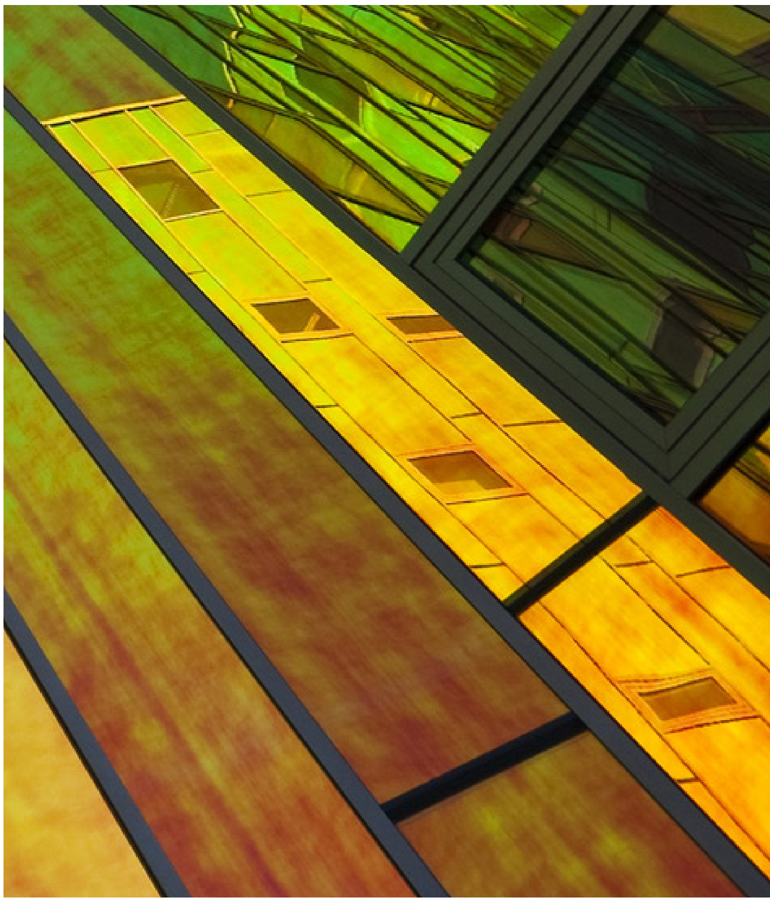


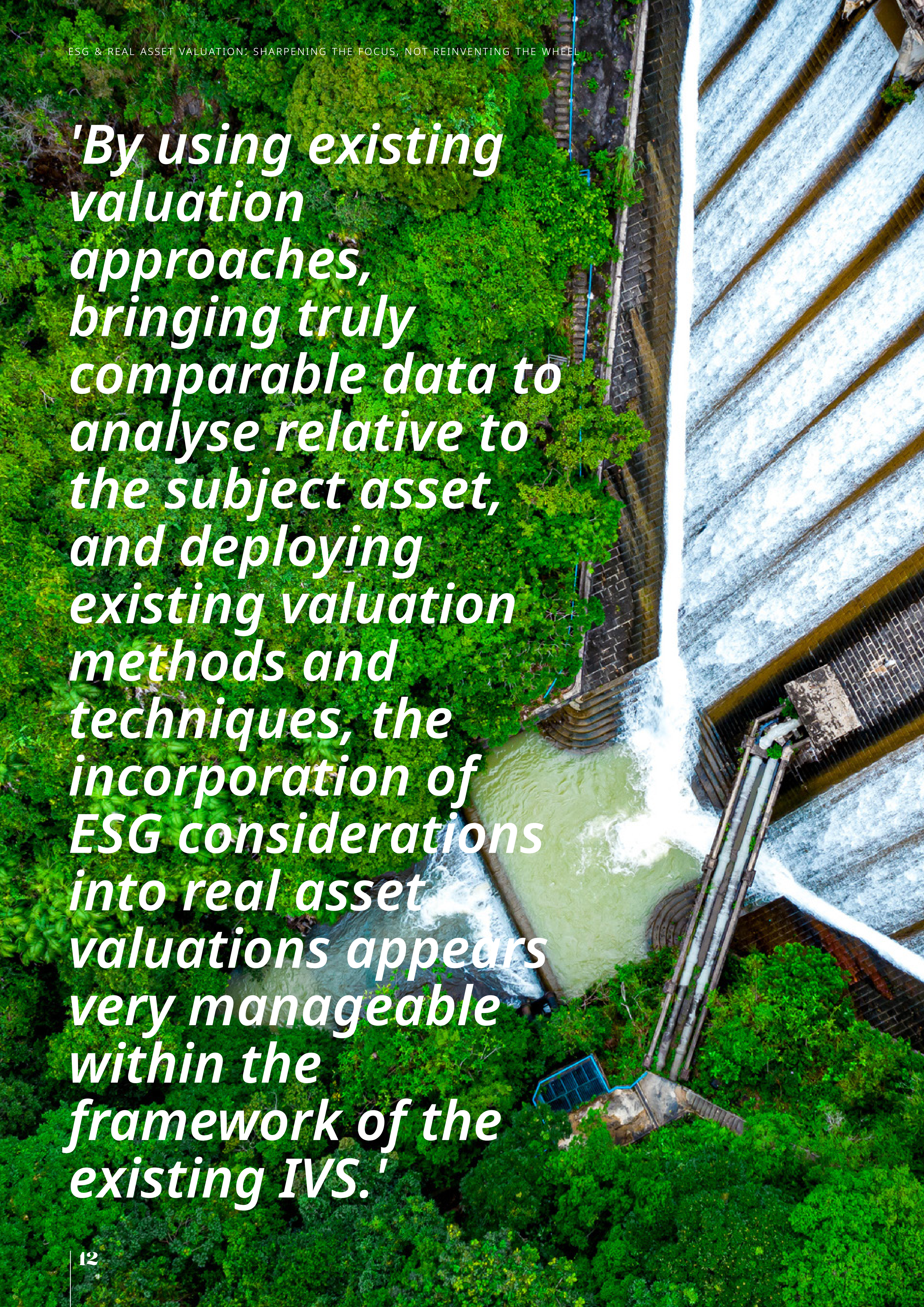
premium (or require a discount) to buy/lease the asset?

- Does the asset have a history of appropriate operation and maintenance?
- Does the asset meet or exceed the required operating and safety standards?
- Are there regulatory restrictions regarding the asset's utilisation?
- Is the asset subject to certain taxation considerations?
- Will technological advancement impact on the future of the asset?
- Does the asset meet relevant regulatory reporting requirements?
- Are there legal considerations that will impact the asset?
- Is there a higher and better use for the asset?
- How is the asset positioned for sustainable long-term demand?

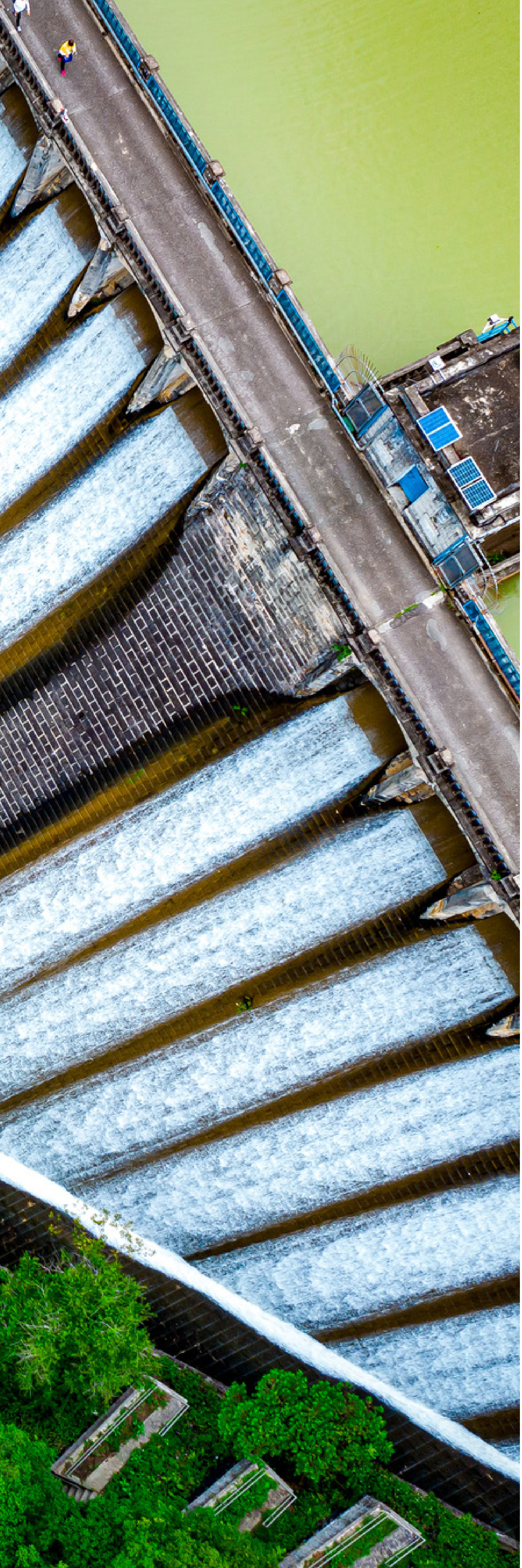
When considering these questions, a valuer may indeed find that some broach more than one of the E, S and G categories. This is not an issue as some of these topics may be relevant across more than one ESG criterion. A common misconception is that valuers are required to itemize discrete components of value for E, S and G factors respectively, but to be compliant with IVS this simply is not the case (barring local regulations or a scope of work requiring such).

Since one or several of these questions could have a significant impact on the real asset being valued, how should a valuation incorporate these E, S and G factors?





'By using existing valuation approaches, bringing truly comparable data to analyse relative to the subject asset, and deploying existing valuation methods and techniques, the incorporation of ESG considerations into real asset valuations appears very manageable within the framework of the existing IVS.'



Considering truly comparable information in the valuation of your subject asset

The most important aspects of incorporating ESG factors into a real asset valuation assignment broadly involves the following steps:

- Identify the 'significant' ESG factors that impact the asset. These factors may have a positive or negative impact on value, may be current or future orientated, and must be measurable.
- Similarly, don't sweat the small stuff. It is not the valuer's role to invent ESG factors. Valuers are required to interpret the market and consider ESG characteristics that are important to market participants.
- Once the relevant ESG factors are identified, the valuer needs to consider truly relevant and comparable information to value the real asset in question. On this basis, the importance of data availability to measure the relevant ESG factors is critical.

So what is 'truly relevant and comparable' information?

As with any valuation, many metrics will often be considered to assess how comparable information is benchmarked to the subject asset. In the context of a real asset, these traditionally might include metrics such as:

- Land or gross building floor area,
- Building installed mechanical and electrical services,
- Manufacturer and model,

- Current location and most favourable market,
- Income generating capacity,
- Occupancy rates or utilisation,
- Year of manufacture or condition,
- Operating capacity,
- Overhaul and maintenance status.

The evaluation of ESG features of an asset is simply an extension of this benchmarking exercise. It might encompass the following metrics or characteristics, for example:

- Fuel type and efficiency,
- Revenue generation capability or utilisation,
- Current or future capital expenditure requirements,
- Remaining useful life considerations,
- Distance from public or social amenities,
- Asset maintenance and overhaul regime,
- Technological status or advancement relative to peers,
- Favourable or unfavourable financing prospects,
- Compliance with regulations,
- Positive or negative taxation considerations.

Many valuation professionals may consider that they are already including these metrics or characteristics in their valuations. Does this mean that they are meeting their ESG obligations under the IVS?

Indeed, since valuers are including genuinely comparable information in the analysis of their subject asset, they might find that their valuations already meet ESG obligations under the IVS. Nonetheless, valuers must continue to stay close to the market, and ensure that their consideration of ESG factors remain relevant as these will evolve over time.

So, how might real asset valuation professionals consider ESG factors differently, depending upon the valuation approach they are utilising?

Does ESG apply to all valuation approaches under IVS?

The incorporation of ESG factors into a real asset valuation may take different forms, depending upon the valuation approach being utilised. We examine this through the lens of the three common valuation approaches: Market, Income and Cost.

Market approach

When applying the market approach, IVS 103 Valuation Approaches states the following:

> 20.01 The market approach provides an indication of value by comparing the asset and/or liability with identical or comparable (that is similar) asset and/ or liability for which price information is available.
>
> …
>
> 20.05 When comparable market information does not relate to the exact or substantially the same asset, the valuer must perform a comparative analysis of qualitative and quantitative similarities and differences between comparable assets and the subject asset. It will often be necessary to make adjustments based on this comparative

analysis. Those adjustments must be reasonable and the valuer must document the reasons for the adjustments and how they were quantified.

To the extent that comparable evidence is identical (or near identical) to the subject asset, it should be seen as incorporating all value-defining ESG factors that the market deems relevant for that asset. Therefore, no adjustment is required.

Where comparable evidence is not identical, valuers should use market information for similar assets and make adjustments for value-defining ESG characteristics. This is similar to what they do when undertaking valuations for assets using traditional metrics. However, these adjustments will have an additional ESG perspective through which they conduct this analysis.

The valuer's selection of relevant and defining ESG factors is crucial in the appropriate implementation of the Market approach.

Income approach

Where the valuer employs the income approach to value a real asset, there may be several areas where the valuer could incorporate ESG factors into a valuation based on the application of the discounted cash flow (DCF) method. For example.

- Revenue: Will any ESG factors impact the revenue generating capacity of the subject asset, favourably or negatively? Such items might include incremental utilisation and revenue generation, and enhanced growth potential, resulting from ESG characteristics relative to its peers in the market.
- Explicit forecast period: Will ESG factors curtail or extend the forecast cash flow period of the subject asset? This might include a reduced explicit forecast period due to the phasing out of the asset, in compliance with government regulations.
- Operating costs: Will ESG factors increase or reduce operating costs of the subject asset? Assets displaying enhanced energy storage and/or efficiency relative to their peers could incur lower recurring power consumption costs.
- Maintenance costs: Are there ESG factors that increase maintenance costs associated with the subject asset? Older assets displaying less favourable ESG characteristics may be prone to higher ongoing maintenance costs relative to their peers.
- Capital expenditure: Does the DCF incorporate relevant and timely capex associated with the subject asset? Enhanced future revenue generation might require corresponding future capex, which might in turn extend the asset's useful life. Importantly, future capex may be net present value positive or negative, depending upon its nature.
- Taxation: Do applicable taxation provisions stimulate (or disincentivise) investment in the subject asset? If so, the timely incorporation these tax benefits (or disincentives) into a DCF could be relevant.
- Government intervention: Will government intervention lead to levies on the asset in the foreseeable future? Such levies would likely have a negative impact on the value of the subject asset and will need to be incorporated into future cash flows.

- Discount rate: To round out the effects enumerated above, the determination of a relevant discount rate will be critical. A discount rate observed for a coal-fired power station transaction will not be appropriate to value a wind farm, despite both assets being within the power generation sector.

Almost every step of a DCF valuation might require specific adjustment to ensure that the facts and circumstances associated with the subject asset's ESG characteristics are considered in an appropriate manner.

Cost approach

Similarly to the income approach, various adjustments might be required when utilising the cost approach to incorporate ESG factors in a real asset valuation. These might include:

- Replacement cost: Does the replacement cost consider a lowest-cost, modern equivalent asset, without incorporating betterment? In industries subject to significant technological change, distinguishing between these features will be important.
- Functional obsolescence: Are the excess operating costs associated with the subject asset relative to its peers being incorporated? An asset that incurs a levy due to its excessive water consumption should not be considered the same as those that do not.
- Useful life: Whilst the asset may be physically capable of operating for an extended period, societal expectations and/or government intervention may result in an assets life being curtailed. Differential remaining useful life assumptions can result in significant variations in valuations.
- Economic or external obsolescence: Does the valuation incorporate any economic obsolescence relating to the external factors associated with the asset? This is particularly important for any real asset subject to negative ESG influences. In some cases, the portable nature of an asset takes it to alternative markets where it exhibits a higher and better use.

Regardless of the approach employed to perform a real asset valuation, ESG factors should be incorporated in the valuation in different forms. Whilst each of these forms may be subtly different, each can be performed utilising existing valuation approaches and methods under IVS.

The incorporation of ESG factors into a real asset valuation may take different forms, depending upon the valuation approach being utilised.

Maybe not green, but greener ... some asset class perspectives.

Some categories of real assets have been subject to rapid technological improvements and have greatly improved their ESG credentials and outlook.

For example, the diffusion of renewable electricity has been a game changer for power generation. Renewable energy accounted for 30.3% of global electricity generation in 2023[5], up from under 20% in 2010. It has been viewed quite favourably as an investment asset class and attracted new capital in many markets despite recurring challenges in the form of intermittent supply, and lack of affordable energy storage. Similarly, whilst light vehicles have seen a rapid evolution in technology to electric models, heavy vehicles and broader industrial transportation are still largely reliant on traditional petroleum fuels which can be seen as a detracting investment feature.

As such, the transition for some asset classes towards more favourable ESG characteristics might take longer for some than others. But real asset valuation professionals should remain attuned to these changes and corresponding market reactions and resist blindly lumping asset classes into ESG friendly or unfriendly buckets.

Rather, for certain real asset categories that are perhaps viewed less favourably from an ESG perspective, it may be more appropriate to rank comparable asset information from least

5 https://www.statista.com/statistics/489131/share-of-renewables-in-power-generation-globally/

favourable to most favourable. For example, while an asset class such as a locomotive may still not display perfect ESG characteristics because it uses traditional petroleum fuels, a modern equivalent locomotive might be viewed as 'best-in-class' relative to a 20-year old equivalent because it uses 30% less fuel when hauling equivalent tonnage.

In this instance the asset class may not be regarded as 'green' but 'greener' than its peer group. Ultimately, the valuation of such an asset might be viewed more favourably from an ESG perspective because of its i) lower operational costs, ii) greater ability to attract financing, and iii) enhanced utilisation by customers who lean towards more environmentally friendly transportation modes, for example.

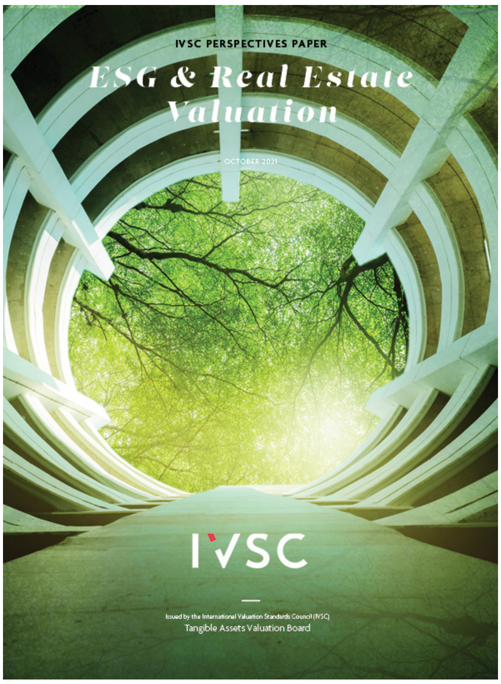
'This creates an important need for valuation professionals to have a deep understanding of their asset class and the markets within which they operate.'

The importance of Professional Judgement, Data and Inputs

IVS 104 Data and Inputs provides that ESG factors should be considered in a valuation when they are 'measurable and would be considered reasonable by the valuer applying professional judgement'. The appropriate selection of data and inputs is central to the asset standards IVS 300, IVS 400 and IVS 410.

This creates an important need for valuation professionals to have a deep understanding of their asset class and the markets within which they operate. After all, ESG defining factors relevant in an asset class within one market might display greater or lesser value prominence in another.

Whilst some data and inputs will be readily available, others may require research, including the use of third-party data service providers. Valuation professionals' unique understanding of market drivers within their real asset specialism will be important for providing expert, timely and knowledgeable valuation advice to their clients.



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ESG & REAL ESTATE VALUATION (OCTOBER 2021)

To this end, the recent introduction of IFRS Sustainability Disclosure Standards created by the ISSB[1], or local equivalents, will no doubt assist valuation professionals across all real asset classes by providing a global comparable baseline for sustainability reporting.

ISSB have issued two standards, IFRS S1 General Requirements for Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures.

The scope of IFRS S1 applies to an entity preparing and reporting sustainability-related financial disclosures in accordance with IFRS Sustainability Disclosure Standards.

The Scope of IFRS S2 applies to:

(a) climate-related risks to which the entity is exposed, which are:

- i. climate-related physical risks; and
- ii. climate-related transition risks; and

(b) climate-related opportunities available to the entity.

When undertaking a valuation of real assets (for any purpose) that are impacted by IFRS S1 and S2, or local equivalents, valuers should be acutely aware of this information and related disclosures and leverage it where appropriate in conducting their valuation analysis.

5 https://www.ifrs.org/projects/completed-projects/2023/general-sustainability-related-disclosures/

Deeper thinking and a sharper focus, but manageable within the existing IVS!

The incorporation of ESG considerations into the IVS creates another element for valuation professionals to consider when conducting real asset valuations. On the surface, and based on the IVSC's recent ESG Survey results, valuers could be justified in thinking that the incorporation of such requirements into valuation standards requires a new way of thinking about valuation.

But based on the perspectives shared above and following on from the recent TAB perspectives paper on ESG and Real Estate Valuation[2], the TAB believe that valuers have all the tools they need to appropriately reflect ESG risks and opportunities into their valuations. The IVS are well placed to assist valuers in dealing with the valuation of real assets in a new ESG paradigm.

There is no doubt that ESG considerations require deeper thinking and a sharper focus, requiring valuation professionals to have an in-depth knowledge of their real asset class and markets within which they operate. And let's not forget, ESG is still a work in progress and will continue to evolve, just as it has done in recent years. But all of this can be achieved without real asset valuation professionals having to reinvent the wheel.

By using existing valuation approaches, bringing truly comparable data to analyse relative to the subject asset, and deploying existing valuation methods and techniques, the incorporation of ESG considerations into real asset valuations appears very manageable within the framework of the existing IVS.

6 https://www.ivsc.org/esg-and-real-estate-valuation/

We would welcome your feedback

The IVSC will continue to monitor the topics in this perspectives paper and welcomes stakeholders' insights and feedback.

In order to understand what ongoing issues (if any) you or your stakeholders have observed with real assets and ESG, or its interpretation in your jurisdiction, the following series of questions might guide you in providing insight and feedback:

1. Do you believe that the IVS enables you to undertake valuations of real assets that incorporates ESG factors witnessed in your market?
2. Are there certain real asset classes or valuation approaches that cause confusion when considering ESG factors as part of your valuation assignments?
3. What valuation standards or regulations are applicable when considering ESG factors as part of real assets valuations in your jurisdiction?
4. Is there sufficient transparency around real asset data in your jurisdiction to enable you to effectively analyse and incorporate ESG factors into your valuation assignments?
5. Are auditors, regulators or other authoritative bodies providing more prescriptive ESG

guidance or requirements than international regulations for ESG factors for real assets in your jurisdiction?

In addition to answering the questions posed above, we would also welcome any further feedback to be sent to the IVSC's Tangible Asset Board via the following email: contact@ivsc.org.

Share Feedback

Scan or click on the QR code to access the online feedback form.

Further reading material

Below is a list of further reading material to highlight different perspectives relating to ESG and real asset valuation around the world.

- EY, '*Embracing the future: approaches to ESG in real estate valuation*', https://www.ey.com/en_ch/real-estate-hospitality-construction/embracing-the-future-approaches-to-esg-in-real-estate-valuation
- PwC, *'ESG in Real Estate Valuation 2.0'*, https://www.pwc.de/en/real-estate/esg-in-real-estate-valuation-update.pdf
- RICS, '*The future of real estate valuations: The impact of ESG*', https://www.rics.org/news-insights/wbef/the-future-of-real-estate-valuations-the-impact-of-esg

Addendum

IVS 104 Data and Inputs: Appendix

The valuer should be aware of relevant legislation and frameworks in relation to the environmental, social and governance factors impacting a valuation.

A10. Environmental, Social and Governance (ESG) Considerations

A10.01 The impact of significant ESG factors should be considered in determining the value of a company, asset or liability.

A10.02 ESG factors may impact valuations both from a qualitative and quantitative perspective and may pose risks or opportunities that should be considered.

A10.03 Examples of environmental factors may include but are not limited to the following:

(a) air and water pollution,

(b) biodiversity,

(c) climate change (current and future risks),

(d) clean water and sanitation,

(e) carbon and other gas emissions,

(f) deforestation,

(g) natural disaster,

(h) resource scarcity or efficiency (eg, energy, water and raw materials),

(i) waste management.

A10.04 Examples of social factors may include but are not limited to the following:

(a) community relations,

(b) conflict,

(c) customer satisfaction,

(d) data protection and privacy,

(e) development of human capital (health & education),

(f) employee engagement,

(g) gender equality and racial equality,

(h) good health and well-being,

(i) human rights,

(j) working conditions,

(k) working environment.

A10.05 Examples of governance factors may include but are not limited to the following:

(a) audit committee structure,

(b) board diversity and structure,

(c) bribery and corruption,

(d) corporate governance,

(e) donations,

(f) ESG reporting standards and regulatory costs,

(g) executive remuneration,

(h) institutional strength,

(i) management succession planning,

(j) partnerships,

(k) political lobbying,

(l) rule of law,

(m) transparency,

(n) whistle-blower schemes.

A10.06 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 the valuer applying professional judgement.

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