

## **Best Professional Practices in Valuation**

(In the pursuit of excellence, professionalism is not just a practice but a commitment to delivering one's best, consistently and with unwavering integrity)

It is a well-known fact that Valuer's opinions are the basis for the stakeholders to make informed financial decisions for their crucial business activities. Any such reasoned opinion of the Valuers having implications on the value may become the subject of scrutiny. Therefore, opinions of Valuers should be made accordingly with precision and thorough knowledge.

The objective of this manual is summarized in one word "**ACQUIRE**";

A - Accountable; Adaptable to technology and latest professional developments

C - Confidentiality; Credibility; Consistency

Q - Quality Professional Services

U - Unbiased approach

I - Information independently validated

R - Responsiveness; Reliability

E - Ethical practices; Excellence

**A.** Valuer while conducting Valuation assignments must adhere to best practices in all the phases of Valuation: -

### **Phase I Pre-Valuation:**

#### **A1 Interaction with Clients/Stakeholders**

- a) Establish clear communications with the client to understand the scope and purpose of the valuation.
- b) Instructions accepted by Valuers should preferably be in writing and/or be confirmed in writing by the Valuer with sufficient and relevant detailed and authenticated information & documentation to avoid any misinterpretation.
- c) Any variations or extensions of the original instructions should similarly be confirmed in writing.
- d) Valuers shall accept assignments according to their competence and availability of expertise only.
- e) Engagement Letters or the contracts should clearly define the scope of work, purpose, detailed terms and conditions of engagement including fees, timelines, deliverables etc.

#### **A2 Research and Data Collection**

- a) Conduct thorough research on the subject property or asset in an unbiased manner.
- b) Collect all relevant documents and information required for the valuation
- c) When the documents furnished by the client are insufficient, valuer should undertake search on government sites, other authorities to obtain copies of relevant documents.

#### **A3 Decline the unacceptable**

A valuer must decline the assignment when it:

- a) Affects the valuer's impartial judgement as it hampers the objectivity and independence required for the development and indefensible valuation.
- b) Limits the scope of work to such a degree that the assignment results are not credible;
- c) Limits the content of a final report in such a manner that results in the report becoming misleading.

#### **A4 Conflict of Interest Check**

A Valuer must not advise or represent a client, where doing so would involve a Conflict of Interest or a significant risk of a Conflict of Interest; other than where all of those who are or may be affected have provided their prior Informed Consent. Informed Consent may be sought only where the stakeholders involved is satisfied that proceeding despite a Conflict of Interest:

- i. is in the interests of all of those who are or may be affected.
- ii. is not prohibited by law.
- iii. is not detrimental for the wider interests of the Clients.
- iv. will not prevent the valuer from providing competent and diligent advice to those that may be affected.

#### **Phase II During Valuation:**

##### **A5 Use of Expert Opinion and Assistance and their disclosures**

- a) Conclusion Aiding Assistance - In case of limited technical skills, experience, and knowledge to perform all aspects of a valuation assignment, Valuers may seek assistance from domain experts only after assessing the knowledge, skill, and ability of the experts through their:
  - i. Qualification
  - ii. No. of years of experience in the respective domain. .
  - iii. professional certifications, associations, licenses, and/or professional accreditation of such experts.
  - iv. Reputation, standing and testimonials of such experts in the field
- b) Non-Conclusion Aiding Assistance - This assistance is provided by the supporting staff who assist the Valuers in their decision-making process without directly forming the conclusion. And as their judgments are the integral part of the overall decision-making process of the Valuers, it is suggested that such supporting staff/assistants shall be trained and certified in the field.

However, the appointment of such Experts providing Conclusion Aiding Assistance and/or Non Conclusion Aiding Assistance shall not involve any Conflict of Interest.

##### **A6 Inspection**

- a) Conduct a comprehensive inspection of information, documents and data received from the clients and other reliable sources, documenting all relevant details by:
  - i. Verifying the physical condition of the property/asset,

- ii. Identifying the rights and interests of the client in the property from the documents produced before valuer and all relevant data, documents and information relied upon.
  - iii. Use a dedicated inspection note template so that notes are structured, and all the required information is included consistently and stored preferably in digital mode.
- b) Collate the appropriate relevant inputs from such data for the purpose of Valuation.
  - c) Conduct site inspection as required.
  - d) Identify the valuer or his representatives who inspected the site along with client or his representative.

**A7 Data Management:**

- a) Collect and store all relevant information and data required for the Valuation in a proper and secure and confidential manner. (Preferably in digital mode with passwords etc.).
- b) Cross-verify the information from multiple sources to ensure accuracy.
- c) Employ reliable methods and standards for data analysis.
- d) Comply with all the relevant rules, regulations and laws of the land where valuation is being performed.

**A8 Professional Judgment:**

Render high standards of service, exercise due diligence, ensure proper care and exercise independent professional judgment by frequently applying principles to a specific situation and should not be used to overestimate or underestimate the value.

Ensure to remain a fit and proper person including but not limited to the following criteria-

- a) integrity, reputation and character,
- b) absence of convictions and restraint orders, and
- c) competence and financial solvency

**A9 Client Communication:**

- a) Keep the client informed about the progress of the valuation through authentic mode of communication.
- b) Address any queries or concerns promptly and transparently thereof.

**Phase III Post-Valuation:**

**A10 Valuation Report**

- a) A detailed and comprehensive Valuation Report shall:
- b) include reference to any relevant assumptions, conditions, requirements, and limitations arising from their instructions or enquiries, or imposed from any other source.
- c) accept full responsibility for the content of the reports. Where the report relies on professional opinion from outside experts, the degree of reliance must be indicated.

- d) indicate the extent of involvement or the capacity in which the cosignatories are signing the reports.
- e) identify the relevant data and information to have the appropriate inputs for the valuation.
- f) Valuation reports must convey the following, including but not limited to:
  - i. agreed scope of the work;
  - ii. assets and/or liabilities being valued;
  - iii. the identity of the valuer;
  - iv. client;
  - v. intended use;
  - vi. intended users;
  - vii. valuation currency(ies) used;
  - viii. valuation date(s);
  - ix. purpose of Valuation
  - x. basis (bases) of value adopted;
  - xi. approach or approaches adopted;
  - xii. method or IT Solutions or models applied;
  - xiii. significant data and inputs used;
  - xiv. environmental, social and governance inputs used and considered;
  - xv. significant or special assumptions and/or limiting conditions;
  - xvi. specify caveats and disclaimers, if any.
  - xvii. identity of expert/assistance and disclosures of extent of their role in the process;
  - xviii. value and rationale for valuation;
  - xix. date of the report (which may differ from the valuation date).
- g) If required, keep the scope for review of the report for its accuracy and completeness.

## **B Documentation:**

Maintain thorough and organized documentation of the entire valuation process including adequate file notes, relevant documents which substantiate the Valuer opinions by way of inquiry, objective comparison, deduction and calculation for the prescribed period as required by the relevant Laws. (Preferably in digitized mode using passwords etc.)

**B1 Use of Technology** – Appropriate IT solutions in communication, data surfing, data storage and assessment in Valuation are suitable for the intended use by the Valuer.

The software's to be used must be licensed and tested on the following aspects to ensure accuracy and reliability of the output: -

- a) Accuracy: free from error and functions in a manner consistent with the objectives of the valuation;
- b) Appropriateness: Suitable for the asset and/or liability being valued, given market conditions at the valuation date;
- c) Completeness: Addresses all required features and modes to obtain best results in determining the value;
- d) Timeliness: Reflects the capability of aligning with other conditions like market conditions;

- e) Transparency: All persons preparing and relying on the software must be aware of its usability and terms and conditions of use.

## **C Ethical Considerations:**

Ethical observance by the Valuer while dispensing his services, makes him stand out, distinct, prominent and command a demand for his services for a Valuation assignment. A Valuer does a responsible job and is required to observe higher standards of ethical principles than any other professional, by:

- a) keeping of the client information and valuation details confidentially.
- b) not reproducing any work prepared and presented by any other Valuer, person, body or authority which may create the impression that it is their own.
- c) Reference materials with due acknowledgement may be quoted to make the user understand the basis for some of the details given in the report.
- d) not contributing to or participating in the development, preparation, or use of a valuation, opinion, or conclusion which reasonable valuers would not believe to be justified.
- e) not engaging in misconduct of any kind which involves crime, fraud, dishonesty, or false and ambiguous statements.
- f) refraining from associating with valuers not conforming to ethical practice.
- g) refraining from commenting on the valuation report/s of another valuer/s except under regulatory requirements.
- h) not advertising or soliciting in a manner that is misleading or otherwise contrary to the public interest.
- i) Disclosing fees, commissions paid in connection with the procurement of a service, in the report and in any transmittal letter in which an analysis, opinion or conclusion is stated.
- j) not preparing, or using in any manner, a resume or statement of qualifications which is misleading.
- k) avoiding "mandate snatching" or offering "convenience valuations."
- l) not accepting gifts or hospitality that undermines independence as a valuer.
- m) not offering gifts, hospitality, or advantages to obtain or retain work or an advantage in the conduct of the profession n.
- n) avoiding accepting too many assignments if unable to devote adequate time.
- o) not charging success fees as an independent valuer.

## **D Continuous Learning:**

To uphold professional excellence, meet the evolving demands of the valuation landscape and contribute to the advancement of the valuation profession, Valuers must:

- a) Stay updated on the latest developments, ensuring their practices are current and relevant.
- b) Adapt to changing regulatory frameworks, technological advancements, and emerging valuation approaches.
- c) Attend Seminars/training to interact with industry experts, share experiences, and gain insights into diverse valuation practices.
- d) Read Journals to acquire knowledge from in-depth articles, case studies, and expert perspectives from the authentic & valid platforms of the field.