

Valuations conducted in connection with fairness opinions issued in connection with public offerings in accordance with the AMF's General Guidelines and the APEI's best practices, in light of the international standards issued by the IVSC ("IVS 100 to 106")

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La présente note a été établie par un groupe de travail composé de représentants de structures professionnelles membres de l'APEI :

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APEI member experts are involved in particular in valuation assignments related to financial transactions such as public offerings (OPA, OPAS, OPE, OPRO). As such, they are subject to the provisions of the General Regulations of the Autorité des marchés financiers ("AMF") as well as its recommendations.

To assist its members in applying these rules, the APEI has published a set of communications compiled into a compendium of best practices. This compendium aims to guide appraisers in their work and promote consistent methodological alignment.

The international standards of the International Valuation Standards Council (IVSC) aim to increase public confidence in valuation processes by establishing transparent and consistent standards and ensuring that they are adapted and applied worldwide, thereby defining a common language for valuation and contributing to:

- Enhancing the attractiveness of financial markets that apply them,
- Facilitate high-quality trading across markets, and
- Serving the interests of investors by ensuring the transparency and reliability of valuations.

The stakes are therefore high, both for regulatory authorities and for valuation professionals, who must regularly align their approaches and operating rules with international standards. This alignment is an essential prerequisite for the credibility, security, and attractiveness of the Paris financial center for international investors. IOSCO (¹) is closely involved in valuation issues and the work of the IVSC.

The APEI has established a working group to conduct an in-depth analysis and comparison of its members' valuation practices, benchmarking them against the international standards published by the IVSC, in their latest version effective as of January 2025.

This comparative analysis is based on four essential phases that guide the appraiser's process and ensure the credibility of their work for the users of their appraisals:

- Appointment, competence, ethics, general framework, recipients
- Valuation approach
- Quality control
- Report

¹ *International Organization of Securities Commissions*

1- Appointment, competence, ethics, general framework, intended audience

❖ Competence

Under the General Standards and the general valuation framework [IVSC - *Effective January 31, 2025 - IVS 100 Valuation Framework*], the principle of Competence is outlined: valuers must possess the technical skills, general knowledge, and experience necessary to successfully carry out their valuation assignments.

The Code of *Ethical Principles and Competency Framework for Valuers*, published by the IVSC in May 2025, defines quite precisely [Appendix 1 – *Competency Framework*] the levels of general education, valuation training, and continuing education required to claim the title of valuer.

In France, the AMF General Regulations (hereinafter RG AMF), which govern the recognition of professional associations of independent experts, require that these associations develop a code of ethics defining the fundamental principles their members must adhere to, including the *competencies* they must possess [Article 263-2, II-2°].

This is precisely the purpose of Article 6 [Competence and Professionalism] of the APEI Code of Ethics [version of October 20, 2020], which stipulates that members of the association must strive to regularly expand and update their technical and regulatory knowledge, as well as their understanding of the economic, financial, and sector-specific environments in which their assignments take place.

❖ Appointment

While the IVS do not establish specific principles regarding the Appointment of the appraiser, they are nevertheless based on general principles [IVS *Foreword, in IVS effective January 31, 2025*] according to which valuation standards aim to promote and maintain a high degree of confidence in valuation practice, are principle-based, and aim to provide, in an appropriate manner, a credible *opinion* of value and to enable the communication of that *opinion* to its intended user; that is, the *client* or any other party identified as the user of that *opinion*. The term “*client*” refers [IVS *Glossary*] to the person or entity for whom the valuation is performed.

Beyond this general framework, the appointment of the appraiser is part of the broader framework of fundamental ethical principles, according to which the appraiser must conduct an appraisal *in an objective, unbiased, ethical, and competent manner*.

The process for appointing an independent expert under the AMF’s RG is necessarily more formalized, as it operates within a specific framework. With regard to the procedures governing financial market transactions and offers in France, the AMF Instruction on Independent Expertise [Article 1 of the Instruction] states that the expert is appointed by the company that is the subject of the offer following a process that enables the expert to have as precise and comprehensive an understanding as possible of the assignment entrusted to them.

The AMF General Regulations [Article 261-4] further specify that the independent expert must not be in a conflict of interest, must not repeatedly act within the same group, and must submit a declaration attesting to the absence of any past, present, or future—of which they are aware—with the persons involved in the transaction that could affect their independence and the objectivity of their judgment. Furthermore, AMF Instruction No. 2006-08 provides details on the appointment and independence of the expert and defines prohibited situations.

❖ **Professional Ethics**

The issue of professional ethics is broad by nature, as it necessarily encompasses matters related to the fact previously mentioned under IVS that the valuer conducts their engagement *in an objective, unbiased, ethical, and competent manner*.

For this reason, the IVSC has set forth in its Code of Ethical Principles & Competency Framework for Valuers [May 2025] the principle that a valuation must adhere to five ethical principles: *integrity, objectivity, competence, confidentiality, and professional conduct*.

The positions expressed in France, both by the AMF, in accordance with the fundamental principles defined by the Code of Ethics for Professional Associations of Independent Experts [General Regulation, Article 263-2], and by the APEI [Code of Ethics, version of October 20, 2020], particularly with regard to regulatory compliance (Article 2), acceptance and formalization of the engagement (Article 4), independence and conflicts of interest (Article 5), competence and professionalism (Article 6), and confidentiality (Article 7), encompass the general principles established by the IVSC in its aforementioned Code and allow us to affirm that the above references (AMF and APEI) are compliant with, and indeed more precise and prescriptive than, the international standards issued by the IVSC.

2- **Valuation Approaches**

❖ **Review and Selection of Valuation Methods**

The IVSC's international standards, notably IVS 103 (*Valuation Approaches*), specify that the valuer must consider the use of multiple valuation approaches or methods. However, a multi-criteria approach is not mandated by the IVSC, as "The valuer is not required to use more than one method for the valuation of an asset and/or liability, particularly when he has a high degree of confidence in the accuracy and reliability of a single method, given the facts and circumstances of the valuation."

In France, AMF Recommendation No. 2006-15 stipulates that the independent expert's report must contain a valuation of the target company based on a multi-criteria approach and an examination of valuation benchmarks. This preference by the independent expert for a multi-

criteria approach is also emphasized by the APEI² . Furthermore, AMF Recommendation No. 2006-15 also requires the independent expert to clearly explain the reasoning that led him to favor a particular method or benchmark over another, or to exclude certain valuation methods or benchmarks where applicable.

The principles set forth by the AMF/APEI regarding the review and selection of valuation methods therefore appear to be consistent with the IVS, but are more precise and prescriptive in that they require the independent expert to provide an explicit justification for the decision to adopt or reject specific methods.

² Collection of APEI publications on independent valuation (J Prioritization of criteria)

❖ **Main Valuation Methods**

IVS Standard 103 (*Valuation Approaches*) identifies the intrinsic approach (discounted future cash flows) and the comparative approach (market comparables and comparable transactions) as the primary methods applicable to corporate valuation. AMF Recommendation No. 2006-15 mentions these same categories of valuation methods and also refers to the review of valuation benchmarks supplementing the independent expert's analysis where appropriate, including the stock price, significant transactions involving the securities of the company being valued, analysts' target prices, or the book value of assets. It should be noted that the IVS standards are intended to apply to all assets (and not exclusively to corporate securities) and, as such, refer to other valuation methods such as the cost approach, which is generally not applicable in the context of corporate valuations.

Regarding the implementation of the main valuation methods, particularly the intrinsic approach and the comparable company approach, IVS 103 on the one hand, and the AMF/APEI on the other, set forth comparable principles and emphasize in particular:

- With regard to the intrinsic approach, the importance of conducting a critical analysis of the business plan and the need to ensure consistency between the consideration of risks in the business plan and in the discount rate ⁽³⁾;
- With regard to the comparative approach, the care that must be taken in selecting the comparable companies to be studied, whose relevance must be assessed based on criteria such as growth, profitability, size, liquidity, etc., and the need to account for comparability adjustments when necessary⁴.

The AMF's RG and the APEI's best practices regarding valuation methods are therefore consistent with international standards, but appear to be more comprehensive in that they explicitly require the independent expert to supplement his analysis by reviewing valuation benchmarks, where appropriate.

❖ **Conclusion of the Valuation**

In the context of implementing a multi-criteria valuation approach, IVS 103 (*Valuation Approaches*) specifies that the valuer must analyze, understand, and reconcile the value indications derived from each of the methods used in forming his conclusion, rather than basing it on an average of several approaches.

In the context of independent appraisals, AMF Recommendation No. 2006-15 states that the independent appraiser must compare the results obtained with available benchmarks and clearly explain the reasoning that led them to favor a particular method or benchmark over

³ AMF Recommendation No. 2006-15 3.2.1 Principle of Critical Review, Compilation of APEI publications on independent valuation (E Business plan), IVS 103 A20

⁴ AMF Recommendation No. 2006-15 3.2.3 Principles of consistency and relevance, Compendium of APEI publications on independent valuation (F. Market Comparables and G. Transaction Comparables), IVS 103 A10

another, with the APEI further specifying the need for the independent expert to justify the choice of criteria to be used, their prioritization, and the relative weight assigned to each criterion in forming his opinion. These texts therefore prohibit any reference to a simple average of these various criteria.

The provisions of the AMF and the APEI appear consistent with international standards, in that they agree on the need for the independent expert to analyze the findings of each valuation method and valuation benchmark considered and to justify the relative weight given to each in reaching his conclusion, rather than basing it on an irrational weighting.

The valuation approach used in independent expert reports appears to comply with IVSC international standards while being more detailed, comprehensive, and prescriptive in certain respects. This can be explained by the context and specific objective of fairness opinions, which aim to protect shareholders' interests by ensuring complete and transparent information in a transactional setting, whereas international standards primarily seek to establish principles generally applicable to various contexts.

The various standards place the appraiser's professional judgment at the center of the approach.

3- Quality Control

The IVSC's international standards, notably IVS 100 (*Valuation Framework*, §20 on *Valuation Process Quality Control*), require the implementation of quality control mechanisms surrounding the valuation process. These mechanisms aim to ensure the objectivity and transparency of the valuations conducted, allowing for an assessment of the relevance and impartiality of the judgments issued, particularly in determining value.

In France, the AMF also regulates this requirement and requires the independent appraiser to incorporate quality control into the valuation process, in accordance with the procedures defined by its code of ethics. The report issued is subject to a review, which focuses on the consistency and relevance of the methodology employed. According to Instruction No. 2006-08, the expert must, where applicable, specify in their report the procedures for the quality control performed, and Recommendation No. 2006-15 notes that the AMF may also request any relevant information regarding the preparation of the report, including details on quality control and its results.

In addition to this regulatory framework, the APEI's best practices provide for a two-tier quality control system:

- Internal quality control, implemented by the evaluator's organization for each case, aims to ensure the quality of the report's content. In particular, it verifies the consistency and relevance of the methodology applied by the expert in the course of their evaluation. The controller's responsibilities, the procedures to be performed, and the scope of the quality review are clearly defined in the Practical Guide for APEI Members; and
- External quality control, conducted by the APEI among its Members, is carried out by a non-Member auditor appointed by the Executive Committee and compensated by the APEI, with the cost billed to the Member concerned. This review covers two aspects: (i) the Member's organization, assessed via a detailed questionnaire⁵, and (ii) the independent appraisal files, to verify consistency between the reports and supporting documents. These best practices are governed by the APEI's Internal Regulations.

⁵ This may include an interview and verifications regarding the firm's structure, activities, stakeholders, financial and documentary resources, as well as the procedures for reviewing its independent valuation engagements.

These requirements are therefore consistent with the principles established by international standards for quality control. It should be noted that the IVS 100 standard and the AMF rules do not provide further details regarding the procedures for these audits or their application by appraisers. With the APEI, the French framework proves to be more prescriptive for the members of this association.

4- Report

IVSC Standard 106 (*Documentation and Reporting*, §30 on *Valuation Reports*) sets forth the fundamental principles that a valuation report must adhere to. It aims to ensure that such reports present, in a clear, structured, and sufficiently detailed manner, the basis on which the valuation conclusion is founded. The format of the report may vary—from a comprehensive narrative document to a more concise version—depending on the purpose of the valuation and the recipient's needs. This standard also specifies a minimum set of information that must be included in the report, such as the scope of the agreed-upon engagement, the assets and/or liabilities being valued, the identity of the valuer, the *intended use* and *intended users* (if applicable), the *basis(es) of value* adopted, the sources and selection of relevant data used, the valuation methods adopted or applied, and the relevant environmental, social, and governance factors used. The appraiser is also expected to ensure that, if multiple valuation approaches or methods are considered, the report includes the process of analyzing and reconciling the different values, as well as the appraiser's conclusion.

The AMF General Regulations (Article 262-1) define the expert report as a tool for assessing the financial terms of the public offering. The expected content of this report is specified in AMF Instruction No. 2006-08 (Article 3), including the methodology applied, the assumptions made, and the factors used to assess value. In addition, AMF Recommendation No. 2006-15 requires the expert to detail their methodology, both for comparative methods (justification of the choice of sample and aggregates used) and for the intrinsic approach (presentation of the main assumptions of the business plan or the treatment of specific risks). The AMF and the APEI also require a clear justification of the methods selected or rejected⁶, as well as a prioritization of these methods (primary, secondary, or indicative)⁷, accompanied by an explanation of the choices made in the report. Finally, the expert must transparently specify the sources of information and the data used in their analysis⁶. Consequently, valuation reports take the form of long-form reports ("*long-form reports*").

Thus, the AMF RG and the APEI's best practices are in line with international standards. However, they are more prescriptive than the IVSC standards regarding the level of detail required in the reports.

It should also be noted that public offerings have certain specific features that require additional due diligence and information, such as (i) the amount of compensation received by the expert, (ii) a detailed description of the due diligence performed (iii) consideration of shareholders' comments⁸ (iv) analysis of related-party agreements⁶ or (v) critical analysis of the valuation work performed by advisory banks⁹.

⁶ AMF Recommendation No. 2006-15.

⁷ Collection of APEI publications on independent valuation (J. Prioritization of criteria).

⁸ AMF Instruction No. 2006-08, Article 3, and Compilation of APEI publications on independent expertise – Chapter B).

⁹ AMF Instruction No. 2006-08, Article 4.

Finally, regarding ESG criteria, the AMF regulates the *reporting* obligations of listed companies and the disclosure requirements applicable to collective investment schemes incorporating non-financial approaches, which allows the evaluator to incorporate this data at their discretion. The APEI has established a working group and issued a document describing how the evaluator should approach this issue based on their professional judgment.