

INTERNATIONAL VALUATION STANDARDS COUNCIL

Framework for International Professional Standards

EXPOSURE DRAFT

# Publication date: 31 March 2016

Comments on this Exposure Draft are invited before 30 June 2016. All replies may be put on public record unless confidentiality is requested by the respondent. Comments may be sent as email attachments to:

[commentletters@ivsc.org](mailto:commentletters@ivsc.org)

Or by post to: IVSC, 1 King Street, LONDON EC2V 8AU, UK

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“This Framework draws upon, and includes extracts from, the Handbook of International Educational Pronouncements, 2014 Edition of the International Accounting Education Standards Board (IAESB), published by the International Federation of Accountants (IFAC) in June 2014 and is used with permission of IFAC.

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## Notes for Respondents

The intent of this Exposure Draft is to seek views from interested parties. The IVSC Professional Board seeks comment on the proposed *Framework for International Professional Standards* and would like respondents to express a clear overall opinion of the Exposure Draft. Responses to the specific questions are also invited.

#### Questions for Respondents

In addition to any specific comments, responses are invited to the following questions. Not all questions need be answered. Please indicate the question to which any answer relates.

#### Framework

1. Does the *Framework* provide sufficient detail on the educational concepts to support the requirements of the IPS 100 series?
2. Do you agree with the distinction made between *capability* as it relates to professional behaviour and *competence* as it relates to the integration of professional behaviour with the appropriate level of technical knowledge (para 32 to 35 of the *Framework*)?
3. Do you agree that the introduction of the IPSs as drafted will lead to strengthened public trust in the valuation profession and contribute to other desirable outcomes for the valuation profession? If not, are there elements of the IPSs that could be improved to do so? What else might help?
4. Do you agree with the definition of professional valuer?
5. Should professional valuers always be independent or does it depend upon the kind of service they are providing?

#### Notes for respondents:

In order for us to analyse and give due weight to your comments, please observe the following:

1. Responses should be made in letter format, where appropriate on the organisation’s letter heading.
2. Comments should not be submitted on an edited version of the Exposure Draft.
3. Unless anonymity is requested, all comments received may be displayed on the IVSC website.
4. Comment letters should be sent as an email attachment in either MS Word or an unlocked PDF format and no larger than 1mb. All documents will be converted to secured PDF files before being placed on the website.
5. The email should be sent to [commentletters@ivsc.org.](mailto:commentletters@ivsc.org)

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**Introduction**

* 1. 1. The International Valuation Standards Council (IVSC) is an independent, not-for-profit, private sector
  2. organisation that serves the public interest by strengthening the worldwide valuation profession
  3. through the development and enhancement of standards. The IVSC has over 75 organisations in
  4. membership across 50+ countries. Prior to 2016, the IVSC had three main Boards:

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| 5 |  | * a Board of Trustees responsible for the strategic direction and funding of the IVSC and for |
| 6 |  | appointments to the Standards Board and Professional Board, |
| 7 |  | * a Standards Board with autonomy over its agenda and the creation and revision of |
| 8 |  | International Valuation Standards (IVSs) and supporting technical guidance, and |
| 9 |  | * a Professional Board responsible for the development of International Professional |
| 10 |  | Standards and for promoting the development of the profession around the world. |
| 11 | 2. | The Professional Board was an independent board under the umbrella of the IVSC whose role was to |
| 12 |  | protect the public interest by encouraging high quality practices by professional valuers, promoting |
| 13 |  | strong ethical values, and supporting the development of all sectors of the profession around the |
| 14 |  | world. It achieved this by identifying topics for which the development of international professional |
| 15 |  | standards and guidance is beneficial, by encouraging and fostering the development of professional |
| 16 |  | bodies and associations where none existed and by working with existing professional bodies to |
| 17 |  | identify matters where it was mutually beneficial for those bodies to collaborate and pool their |
| 18 |  | resources in order to be part of a stronger and more effective profession. |
| 19 | 3. | The IVSC seeks to work with Valuation Professional Organisations (VPOs) and other stakeholders, including |
| 20 |  | valuation providers, standard setters, regulators and academia, with the aim of bringing about harmonisation |
| 21 |  | of core education requirements, professional conduct and ethics, and effective self-regulation. |
| 22 | 4. | The Professional Board has developed International Professional Standards (IPSs). The IPSs are |
| 23 |  | international standards for achieving and maintaining competence over the career of the |
| 24 |  | professional valuer1. The IPSs are professional standards for VPOs to utilise in ensuring that they |
| 25 |  | have programmes in place to enable professional valuers to achieve and maintain competence |
| 26 |  | over the course of their careers. |
| 27 | 5. | The IPSs are comprised of the following standards: |
| 28 |  | * IPS 101: Initial Professional Development – Entry Requirements to Professional Valuer |
| 29 |  | Accreditation Programmes |
| 30 |  | * IPS 102: Initial Professional Development – Professional Skills and Ethics |
| 31 |  | * IPS 103: Initial Professional Development – Technical Knowledge |
| 32 |  | * IPS 104: Initial Professional Development – Practical Experience |
| 33 |  | * IPS 105: Initial Professional Development – Assessment of Professional Competence |
| 34 |  | * IPS 201: Continuing Professional Development |

1 A professional valuer is defined in Paragraph 22 of this *Framework*.

1. 6. This document titled *Framework for International Professional Standards (Framework*)
2. establishes the concepts that the Professional Board used in its publication of the IPSs.
3. 7. Previously, the Professional Board has issued a *Competency Framework for Professional Valuers*
4. which defines the required competencies for professional valuers in knowledge, skills, values,
5. ethics and behaviour. The Professional Board has also issued the *Code of Ethical Principles for*
6. *Professional Valuers* which sets out the expectation of compliance with principles of integrity,
7. objectivity, competence, confidentiality and professional behaviour. The IPSs provide the material
8. to augment both the Competency Framework and the Code of Ethical Principles.
9. 8. The IPSs are the foundation of a respected global valuation profession. In particular:
10.  The IPSs strengthen the ability of the valuation profession to provide more competent
11. valuation services in an increasingly complex, globally-interconnected and rapidly
12. changing commercial world.
13.  High quality IPSs and accompanying guidance lead to the development of high quality
14. valuation qualifications.
15.  Those interested in valuation education are provided with common international standards.
16.  The IPSs contribute to strengthened public trust by increasing the competence of the
17. global valuation profession.
18.  There will be a reduction in international differences in the requirements to qualify and
19. work as a professional valuer, thereby facilitating global mobility.
20.  Being part of a strong, coherent globally-recognised valuation profession is to the benefit
21. of every professional valuer, regardless of whether their work is local or international in
22. nature.

#### The Global Valuation Landscape

1. 9. Valuation is subject to increased regulatory scrutiny worldwide to ensure that valuations
2. performed in the public interest are objective and transparent. Regulators and capital markets are
3. demanding not only consistent technical valuation standards but also higher standards of
4. competency for professional valuers. More than one high-profile stakeholder has voiced concerns
5. over fundamental aspects of the valuation profession.
6. 10. The prominent role of the valuation profession around the globe is incompatible with the
7. fragmented professional landscape. Globally, requirements for providing valuation services are
8. disparate. In many economies, the perceived status of a valuation specialist is to belong to an
9. industry group rather than to a profession. Against this backdrop of a lack of unified professional
10. standards, the Professional Board has developed the IPSs.
11. 11. Historically, valuation experts have developed in different ways in different countries according to
12. culture, statute and convention. This has led to:
13.  the development of a secondary specialisation by experts in different types of assets or
14. liabilities,

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* + fragmentation of expertise by asset or liability type,
  + legislation that was introduced for a particular purpose and has unintended consequences in other areas,
  + valuation being regarded as technique rather than profession,
  + varying qualifications, and
  + lack of recognition by regulators and other professions.The diversity of culture, educational, legal and social systems globally means that professional valuers may have developed their professional competence through various pathways, including work experience, study or qualification.

#### Where We Stand Today

1. The diversity of the valuation profession presents significant challenges in developing conformity in the valuation profession worldwide.
2. Even where there are various organisations with a view to governing the profession by setting and regulating standards of competence and integrity of valuation professionals, in certain jurisdictions there is no current requirement for a valuation specialist to belong to a professional organisation in order to provide valuation services.
3. An approximate taxonomy of diversities could be, for example, as follows:
   * by country:
     + developed countries with various VPOs, with disparate and varying qualifications,
     + developed countries without VPOs,
     + developing countries with VPOs,
     + developing countries without VPOs.
   * by expertise:
     + real estate,
     + plant, machinery and equipment, and personal property,
     + business, business interests and intangible assets,
     + financial instruments.
   * by valuation specialist in the same expertise by asset type:
     + valuers belonging to one or more professional organisations,
     + valuers belonging to a working group or a special interest group promoted by various accounting bodies,
     + valuers belonging to a professional organisation that does not have specific professional standards for valuers,
     + valuers, with disparate background and experience, not belonging to any professional organisation.

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#### The Path to Convergence

1. The current multiplicity of professional standards and the contemporary lack of standards in certain jurisdictions and area of expertise can potentially lead to market confusion as well as inconsistent valuation outcomes. This raises the need for unified professional standards on a global scale.
2. The path to follow for converging to a homogeneous global professional infrastructure could be very different from place to place and from expertise to expertise. It is essential for the international standard setter, in establishing a professional framework, to recognise the status quo and acknowledge that some organisations will require fair and reasonable transition plans to converge.
3. The convergence should not be reached on a silo or sectoral basis. It is more useful to establish a set of standards that apply to all VPOs. Over time, these standards may need to be supplemented with additional standards and commentary on the competencies and capabilities of significant specialisations.

#### The Threshold Level of Competence

1. Many regulators are demanding progress in establishing professional infrastructure for valuation.

In some jurisdictions the valuation profession is very mature, with robust accreditation programmes, mandatory continuing education requirements and disciplinary procedures. The IPSs go beyond codifying best existing practices. However, those existing standards have been leveraged in the development of the IPSs that will have application to all jurisdictions.

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1. The Professional Board has discussed whether the IPSs should be set at an aspirational level or a minimum level. Setting a standard at an ideal level which only some VPOs could achieve is inappropriate. However, setting a standard at a minimum level conveys the impression of a low level. Standards at too low a level also risk being irrelevant in developed jurisdictions. The Professional Board concluded that the IPSs should be set at the threshold level of competence sufficient to protect the public interest, with the expectation that some IVSC member bodies that provide professional valuer accreditation for the education and development of their members (VPOs that are members of the IVSC) will exceed some or all of these standards. The Board recognises that the IPSs may initially be aspirational for others. It is an obligation of a VPO which is a member of the IVSC, with the support of the IVSC, to transition over time to a framework that meets and strives to continue to exceed the threshold level of competence.

## Purpose of the Framework

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1. The Framework is intended to assist VPOs that are members of the IVSC. The VPOs that are members of the IVSC have direct or indirect responsibility for the education and development of their members. The Framework should also enhance the expectations incumbent upon a professional valuer by a wide range of stakeholders including:
   * VPOs,
   * those who commission or rely on valuations,
   * educational organisations,
   * those who design, deliver, assess or support education programmes for professional valuers,
   * employers of professional valuers,
   * government authorities,
   * regulators with responsibility for the oversight of the work of professional valuers,
   * professional valuers and prospective valuers who undertake their own learning and development,
   * other parties interested in the work of the Professional Board and its approach to developing publications on valuation education.
2. The intended benefits of the *Framework* include:
   * the development of IPSs based on a common set of concepts relevant to professional valuer accreditation,
   * an efficient and effective standard-setting process as the Professional Board has debated issues in an open and transparent environment from the same conceptual base,
   * enabling interested parties to understand the fundamental concepts of the IPSs.

## Authority and Scope of the Framework

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1. A professional valuer is a person who has expertise in the field of valuation, achieved through formal education and practical experience and maintained through continuous learning and development, is held to high professional standards equivalent to the IVSC’s IPSs and Code of Ethical Principles and whose compliance with such standards is subject to enforcement by a VPO

that is a member of the IVSC2. A professional valuer candidate is an individual who has

commenced a professional valuer accreditation programme. In some jurisdictions, VPOs have yet to be developed. Where there is no relevant organisation that an individual may apply to join, individuals or firms are encouraged to adopt and comply with this Framework.

2 The titles used to describe a professional valuer in the various jurisdictions is diverse. For purposes of this Framework, these titles are to be used synonymously with professional valuers.

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1. The IVSC defines VPOs as organisations that have either direct or indirect responsibility for the training and development of their members and those aspiring to membership and providing them with an accreditation as a professional valuer. These organisations are also responsible for ensuring that their members maintain competence and comply with rules of ethical conduct. VPOs that are members of the IVSC are required to meet the following criteria:

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| 173 |  | * they must be established as a not-for-profit organization, |
| 174 |  | * they must set education, competency and ethical standards for their members, |
| 175 |  | * they must uphold the public interest over the interests of their members, |
| 176 |  | * they must have a system for disciplining members who breach their ethical and other |
| 177 |  | conduct rules, |
| 178 |  | * they must have governance and operating structures suitable to their role and |
| 179 |  | responsibilities and be able to demonstrate integrity in the conduct of their activities. |
| 180 | 24. | A professional organisation that meets the above criteria and that also accredits and admits |
| 181 |  | members engaged in professional activity other than valuation may be classed as a VPO if it |
| 182 |  | provides a pathway for membership and accreditation that includes the competencies in the IPSs |
| 183 |  | and a structure that provides continuing professional development for its members that work as |
| 184 |  | professional valuers. |
| 185 | 25. | Professional valuers work in every sector of the economy and in many different areas of |
| 186 |  | valuation. The IPSs establishes the learning and development principles for the education of |
| 187 |  | professional valuers. |
| 188 | 26. | The Professional Board has applied the concepts set out in the Framework when developing the |
| 189 |  | IPSs. In the absence of a specific IPS, VPOs that are members of the IVSC and other interested |
| 190 |  | parties should also apply these concepts when designing, delivering and assessing accreditation |
| 191 |  | and continuing professional development programmes for professional valuers. |
| 192 | 27. | The following publications of the IVSC form the base for the development of the IPSs: |
| 193 |  | * *A Competency Framework for Professional Valuers* |
| 194 |  | * *Code of Ethical Principles for Professional Valuers* |
| 195 | 28. | This Framework deals with the concepts of competence, initial professional development, |
| 196 |  | continuing professional development and the assessment of the effectiveness of learning and |
| 197 |  | development. |
| 198 | 29. | The IVSC recognises that some organisations and jurisdictions will require time to converge to |
| 199 |  | the IPSs. The IVSC is committed to working with those organisations and jurisdictions in |
| 200 |  | developing reasonable transition plans to converge. |
| 201 | 30. | VPOs that are members of the IVSC should structure their professional valuer accreditation |
| 202 |  | programmes in a way that protects the public interest. |

## Educational and Development Concepts

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#### Capability and Competence

1. The overall objective of valuation education is to develop competent professional valuers.
2. Capability is the ability to perform certain actions. Capabilities are the attributes that enable the professional valuer to perform his or her role. Within the IPSs, capabilities consist of professional skills and ethics. The term ethics also includes the professional values and attitudes that guide professional behaviour. The acquisition of these capabilities contributes to competence. Capabilities do not vary in terms of ability to perform certain actions.
3. Competence is defined as the possession of the required skill, knowledge and capacity to do something well measured against a defined standard with reference to working environments. The definition of competence emphasizes the ability of individuals to perform to standards expected of professional valuers. Competence requires the capabilities of professional skills and ethics, and the appropriate level of technical knowledge.
4. The competence of the professional valuer is affected by the complexity of the asset or liability class and the complexity of the environment in which the valuation is undertaken. The appropriate level of competence for the professional valuer is dependent on the following criteria:
   * the type of asset or liability that is the subject of the valuation, eg, real estate, plant machinery and equipment, personal property, business, business interests, intangible assets and financial instruments,
   * the purpose of the valuation, eg, financial reporting, dispute resolution and statutory requirement,
   * the sector in which the asset or liability subject to the valuation is classified, eg, mining, manufacturing, financial institutions and housing.
5. There may be times when a professional valuer will require information that extends beyond their area of competence by asset or liability class, valuation purpose and sector expertise. In such cases, the professional valuer will be required to rely on information provided by third parties, such as specialist consultants. A competent valuer will recognise the requirement to rely on the expertise of a third party, when necessary. However, unquestioning acceptance of such third party information can produce an unreliable valuation. A competent valuer will also question the information to ensure a credible valuation.

#### Learning and Development

1. An individual becomes competent through learning and development. The primary types of learning and development endorsed by the IVSC are as follows:
   * **Education:** Education is a systematic process aimed at acquiring and developing knowledge, skills and other capabilities within individuals, a process that is typically but not exclusively conducted in academic environments.

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* + **Practical experience:** Practical experience refers to workplace activities that apply the relevant education in a supervised work environment.
  + **Training:** Training refers to learning and development activities that complement education and practical experience, usually conducted in the workplace or a simulated work environment.

1. Learning and development also includes activities such as coaching, networking, observation and self-directed gaining of knowledge.
2. Learning and development is an ongoing process of acquiring, maintaining and renewing competence at an appropriate level throughout a professional valuer’s career. The extent to which each of the different forms of learning and development are used may vary. The technical knowledge of the professional valuer will change over time due to the evolution of the markets and disciplines in which the professional valuer operates.
3. In a constantly changing work environment, a commitment to lifelong learning is an integral aspect of being a professional valuer. Therefore, the IPSs address both Initial Professional Development (IPD) and Continuing Professional Development (CPD).

#### Initial Professional Development

1. IPD is learning and development through which individuals first develop competence leading to performing a role in the valuation profession.
2. IPD includes the following categories:
   * General education is broad-based education to develop the skills necessary as a foundation for managing the demands of professional valuation education and practical experience.
   * Professional valuation education, including practical experience, is education and training that builds on general education and imparts technical knowledge, professional skills and ethics.
   * Assessment is the measurement of professional competence developed throughout learning and development.
3. Learning outcomes are the broad goals that describe what the professional valuer candidates are supposed to know or be able to do to demonstrate the capability and competency at the point of accreditation.
4. There are legal and regulatory differences in the accreditation of the professional valuer, internationally. Each VPO that is a member of the IVSC will define the appropriate relationship between the end of IPD and the point of qualification or licensing for its members.
5. IPD continues until individuals can demonstrate the competence required for their accreditation as a professional valuer. IPD goes beyond knowledge of valuation theory, principles, concepts, standards and process at a given point in time. It includes the ability to integrate technical knowledge, professional skills and ethics. Professional competence enables individuals to identify

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issues, know what knowledge is relevant and know how to apply that knowledge and professional judgement to resolve issues ethically.

1. Certain IPSs include learning outcomes that establish the breadth and depth of knowledge, understanding and application required for a specified capability and competence area. The level of proficiency is based on consideration of the ambiguity, complexity and uncertainty of the environment. A VPO that is a member of the IVSC may include additional capability and competence areas, increase the level of proficiency for competence areas and develop additional learning outcomes that are not specified in the IPSs.

#### Continuing Professional Development

1. Globalisation, advances in technology, business complexity, societal changes and the expansion of stakeholder groups, including regulators and oversight bodies, are significant characteristics of the environment in which professional valuers work. Change requires professional valuers to maintain and develop new and/or more specialised knowledge and skills throughout their careers as they take on new roles or change disciplines. Throughout their careers, the competence gained during IPD is continually renewed, modified and/or expanded through CPD.
2. CPD is learning and development that develops the competencies acquired during IPD to enable professional valuers to continue to perform their roles competently. CPD provides continual development of the competence achieved during IPD.

#### Assessment of the Effectiveness of Learning and Development

1. Different measurement approaches can be employed to assess the effectiveness of learning and development. They include:
   * An input measure focuses on the investment made in learning and development, eg, the number of hours an individual is expected to attend a course or the subject areas covered. Input-based measures have traditionally served as proxies for measuring the development of competence, primarily because they are easy to determine and verify. They do not, however, measure the competence developed.
   * A process measure focuses on the design and delivery of learning and development, eg, a course curriculum that is regularly reviewed and updated. As with the input-based measures, process-based measures are proxies for the competence developed.
   * An output measure focuses on whether the professional valuer has developed the specified competence. Competence can be assessed by a variety of means, including workplace performance, workplace simulations, written examinations and self- assessment. Competence-based assessment begins with the creation of competence frameworks as benchmarks.
2. In choosing a measurement approach, the following characteristics should be considered:
   * validity – whether it measures what needs to be measured,
   * reliability – whether it consistently produces the same result, given the same set of circumstances,

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* + cost-effectiveness – whether the benefits outweigh the costs of measurement.

1. Output measures, being directly focused on competence, are rated as highly valid. They can be challenging to implement without substantial investment in measurement systems, leading to concerns over their cost-effectiveness. Because of the inherent compromise between validity, reliability and cost-effectiveness, a mix of input, process and output measures is often adopted. However, output measures are the measures most closely linked with the objective of professional valuer accreditation – the development of competence.
2. The selection of the appropriate measurement approach in the circumstances will be made by the VPO that is a member of the IVSC.

## IVSC Member Body Obligations

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1. An IVSC Member Body Compliance Programme is under development by the Board of Trustees of the IVSC at the date of this Framework.

## Structure

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1. The IPSs are written in accordance with the set of drafting conventions that appear in Appendix A to this Framework.

## Appendix: Drafting Conventions

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##### Language and Structure

A1. The sole approved text of an Exposure Draft, IPS or other form of guidance is that published by the IVSC in the English language.

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A2. Each IPS contains a paragraph on definitions and explanation of key terms. The definitions and explanations are intended to support translation, interpretation and application and are not intended to override definitions and explanations of other documents that may be established for other purposes, whether in law, regulation or otherwise.

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A3. The structure of the IPSs is organised to include the following as separate sections: Introduction, Objective, Requirements and Commentary.

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##### Introduction

A4. The introductory material includes information regarding the purpose and scope that provides context relevant to a proper understanding of each IPS.

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##### Objective

A5. Each IPS contains a clear statement of the objective of the IPS. The objectives assist VPOs that are members of the IVSC to understand what needs to be accomplished and to decide whether more needs to be done to achieve the objective.

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##### Requirements

A6. The objectives are supported by clearly stated requirements that are necessary to achieve the objectives. Requirements are always expressed using the term “shall.”

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##### Commentary

A7. The commentary provides additional explanation relevant to the requirements. The commentary is intended to explain more fully what a requirement means and may include examples of how to meet the requirements. The commentary does not in and of itself impose any additional requirements; its purpose is to assist in their application.