Pursuant to Article 16(2) in connection with item 1 of Article 9(2) of the Auditing Act (Official Gazette of the RS, No. 65/08), the Expert Council at its session held on 7 November 2012 adopted the Code of Ethical Principles for Professional Valuers, which was approved by the Agency for the Public Oversight of Auditing with its Consent No. 10.00-31/2012 of 27 November 2012.

CODE OF ETHICAL PRINCIPLES FOR PROFESSIONAL VALUERS

INTRODUCTION
This Code of professional ethics for professional valuers (hereinafter: the Code) lays down the rules of behaviour to be followed by a certified valuer (hereinafter: professional valuer) in appraising the value (hereinafter: the valuation) of companies, real estate or machines and equipment.

Professional ethics require professional valuers to be fully devoted to their work and care for continuous improvement of quality and efficiency of their work. Professional satisfaction and awareness that the work is well done shall constitute the main, but not the only, incentive for their work.

The Code was adopted by the Expert Council of the Slovenian Institute of Auditors (hereinafter: the Institute) on 27 November 2012 and has been effective since that date.

The Code obligates the professional valuers of companies, real estate or machines and equipment who are entered into the registers of the Institute. Upon obtaining the professional title, they commit themselves to act on the principles of this Code.

The Code consists of:
- Purpose of the Code
- Fundamental principles of professional ethics
- Principles of behaviour for professional valuers
- Professional valuer's responsibility
- Appendix 1 – Unethical and unprofessional valuation
- Appendix 2 – Threats and safeguards
1. PURPOSE OF THE CODE

1.1 The Code obligates professional valuers of companies, real estate or machines and equipment who are entered into the registers of the Institute, and sets fundamental principles of behaviour in relation to responsibility of each and every member of the valuation profession (hereinafter: the profession) to the public, clients and peers. The Code guides professional valuers in the performance of professional tasks and determines the fundamental elements of their ethical and professional behaviour in the profession and in public.

1.2 The circumstances in which professional valuers operate may create specific threats to compliance with fundamental principles. Some common types of threats are defined in the appendices to this Code. However, it is impossible to define every situation that creates threats to compliance with the Fundamental Principles and to specify the appropriate action. Valuation assignments differ significantly in their nature and, consequently, different threats arise that require the application of different safeguards. This Code is prepared in a way and for the purpose to help deter a professional valuer from concluding that a situation is permitted if it is not specifically prohibited by this Code or among the situations discussed in the appendices.

1.3 When a professional valuer identifies a potential threat to their ability to comply with the fundamental principles they should evaluate the significance of that threat. Some threats may be eliminated or reduced to an acceptable level by taking appropriate safeguards. Some safeguards are stated in the appendix to this Code.

1.4 If threats to the professional valuer's ability to comply with the Fundamental Principles cannot be eliminated or reduced to an acceptable level, either because the threat is too significant or because appropriate safeguards are not available or cannot be applied, the valuation assignment should be declined or discontinued.

1.5 If a professional valuer encounters unusual circumstances in which the application of a specific requirement of the Code would result in a disproportionate outcome or an outcome that may not be in the public interest, it is recommended that the professional valuer consults the bodies of the Institute or, if appropriate, the relevant regulator.

1.6 If, after exhausting all relevant possibilities, an ethical conflict remains unresolved, a professional valuer would need to decide whether, in the circumstances, it is appropriate to withdraw from the engagement team or specific assignment, or to resign altogether from the engagement, the firm or the employing organisation.
2- FUNDAMENTAL PRINCIPLES OF PROFESSIONAL ETHICS

2.1 A professional valuer maintains high standards of professionalism, ethics and dignity proclaimed by the Institute. As members of the Institute they shall implement its decisions and/or act in compliance with its guidelines.

2.2 Professional valuers continuously monitor theoretical and practical achievements in the profession and develop their professional knowledge. They pay special attention to the training of younger peers and transfer to them their professional expertise.

2.3 Cooperation between professional valuers is based on openness and exchange of experience. A professional valuer never denies assistance to a peer by giving advice or opinion. They esteem and respect knowledge, dignity and professional competence of each and every colleague in the valuation and other professions and activities.

2.4 It is fundamental to the integrity of the valuation process that those who rely on valuations have confidence that those valuations are provided by professional valuers who have the appropriate experience, skill and judgement, who act in a professional manner and who exercise their judgement free from any undue influence or bias. Accordingly, a professional valuer is expected to comply with the following ethical principles:

a) **Integrity**: to be straightforward and honest in professional and business relationships.

b) **Confidentiality**: to respect the confidentiality of information acquired as a result of professional and business relationships and not to disclose such information to third parties without proper and specific authority (unless there is a legal or professional right or duty to disclose), nor to use information for the personal advantage of the professional valuer or third parties.

d) **Objectivity**: not to allow bias, conflict of interest or undue influence to override professional business judgement. The principle of objectivity obligates all professional valuers, not to compromise their professional or business judgement by bias, conflict of interest or undue influence. A professional valuer may be exposed to conditions with may be a threat to objectivity. All such conditions cannot be identified and determined in advance. Professional valuers shall not perform professional services if any such circumstance or relation distorts or exercises undue influence over their professional opinion in relation to that service.

e) **Professional behaviour**: includes acceptance of a responsibility to act in the public interest. A professional valuer's duty is not limited just to satisfying the needs of a particular client or employer. There is also a need to consider if professional decisions have a wider impact on unidentified third parties. For example, valuations are frequently undertaken that can directly impact upon third parties such as stockholders in a company or investors in a fund. While the client’s needs are normally paramount, a professional valuer should avoid knowingly accepting any instruction that appears to be prejudicial to the interests of the wider public, and which could discredit their own reputation and that of the profession generally.
3- PRINCIPLES OF PROFESSIONAL BEHAVIOUR

3.1 Principles of professional behaviour contain common positions regarding a professional valuer's responsibility, public interest and/or confidentiality, integrity, objectivity and independence and due professional care or professional competence. Professional valuers efficiently perform their professional tasks, meet their obligations and consistently observe the ethical principles and rules of this Code. In performing their tasks, they are professional, fair, truthful, unbiased, diligent and, thus, trustworthy in all respects. The Code also contains interpretations on unethical and unprofessional valuation, a description of potential threats and safeguards to be applied together with the principles of a professional valuer's professional behaviour.

3.2 Principle of integrity: A professional valuer may only accept the assignments for which they can reasonable expect to carry them out with professional integrity. They substantiate any valuation with full sensitivity from both the professional and ethical aspect, regardless of the type of assignment.

Interpretation

A professional valuer plays an important role in the society and is accountable to any user of their services. Their tasks also comprise permanent care for mutual cooperation in the profession with the aim to increase the quality and efficiency of their work. Professional valuers make joint efforts to maintain and improve the achievements of the profession.

In the performance of the tasks assumed, a professional valuer is reliable in all aspects related to the valuation. A professional valuer is never knowingly associated with any illegal or non-allowed valuation activity. They are never knowingly associated with a valuation report a reference to a valuation or any other communication about a valuation if they believe that it either contains statements or information that are materially false or misleading or that are made recklessly; or omits or obscures information required to be included where such omission or obscurity would be misleading.

3.3 Principle of confidentiality: A professional valuer accepts responsibilities in a manner that serves the public interest, justifies the confidence of the public and demonstrates devotion to the profession.

Interpretation

A distinction of the profession is the high degree of responsibility that the profession assumes towards the public. The public comprises clients, investors, financial and government organisations and others who in a regulated economy rely on the objectivity and integrity of a professional valuer.
Public interest refers to the common well being of individuals and organisations served by the profession. Responsibility for the confidence shown to the profession by the public is demonstrated by the professional valuer’s continuing efforts for professional excellence.

A professional valuer may not disclose confidential information obtained through their work to unauthorised persons, except upon an explicit permission or if required to do so by law. Information obtained in the performance of work shall be prudently applied. A professional valuer shall not use confidential information either to their personal benefit or to the benefit of third parties. A professional valuer shall advise their business associates of the confidential character of information obtained at their work and supervise their respect for confidentiality. The need to comply with the principle of confidentiality continues even after the end of a relationship between a professional valuer and a client or employer. When a professional valuer changes employment or acquires a new client, the professional valuer is entitled to use prior experience. The professional valuer should not, however, use or disclose any confidential information either acquired or received as a result of a professional or business relationship. A professional valuer should maintain confidentiality, including in a social environment, being alert to the possibility of inadvertent disclosure, particularly to a close business associate or a close or immediate family member.

3.4 Principle of competence: To maintain and boost public confidence, a professional valuer shall perform their obligations with the highest professional competence.

Interpretation

Professional competence is one of the fundamental conditions for public recognition of the profession. A professional valuer is required to know and observe professional rules, i.e. professional principles, standards and ethical principles of the profession. Any omission to observe these rules means that professional judgement is subject to other, non-professional interests.

Professional competence is the result of education and experience. The maintenance thereof requires commitment to professional training. Professional valuers undertake continuous professional development throughout their active life and are personally responsible for their training. Performance of valuation assignments requires competence at a level that provides high quality of professional work. Such level of competence is required by professional rules, i.e. by professional principles, standards and ethical principles of the profession.

In performing their obligations to the client, a professional valuer is distinguished by diligence, which means the performance of services with due care, on a timely basis and in accordance with professional rules, i.e. professional principles, standards and ethical principles of the profession. Professional valuers shall strive to improve their knowledge and skills and to increase the quality and efficiency of their work. If a professional valuer does not have the professional knowledge and necessary experience to competently undertake a valuation assignment that is offered, the professional valuer should decline that assignment.
3.5 Principle of objectivity: Professional independence is an essential principle of the professional valuer profession. It is based on the concept that integrity and objectivity are essential for the performance of this profession. A professional valuer shall not in any way that poses a threat to their objectivity and independence be involved in the valuation of a company, real estate or machine and equipment; a professional valuer demonstrates that with each assumed assignment.

Interpretation

Objectivity is a principle that requires honest way of thinking and avoids conflict of interest. Independence prevents a relation to the client that might impair objectivity in the performance of services. An appraisal avoids actual and perceived conflicts of interest and informs the clients concerned of potential conflict of interest.

Independence is the prime condition for any performance of services in which a professional valuer reports on true and fair value of a company, real estate, machine or equipment to the client, the public or third parties.

In the performance of other services, a professional valuer shall maintain objectivity and avoid conflict of interest. A professional valuer shall in no case whatsoever subject their judgement and decision to the interest and benefit of a client, which might prevent objective valuation.

A professional valuer may never accept anything of value from an associate, client, customer, supplier or other business partner. A professional valuer likewise may not perform services, the payment of which would depend on the findings or results of the valuation.

3.6 Principle of professional behaviour: A professional valuer observes professional rules, i.e. professional principles, standards and ethical principles of the profession. Professional valuers continuously develop their professional knowledge, increase the quality of services and perform professional tasks to the best of their ability.

Interpretation

The quest for excellence is the essence of due professional care. Professional valuers are distinguished for their broadest, most complete and most comprehensive knowledge of theory and practice in valuation. This principle requires professional valuers to perform their professional tasks with due professional competence and diligence.
A professional valuer avoids to carry out or support an activity that would prevent their professional performance of assigned tasks with full integrity and could discredit them and adversely affect the good reputation of the profession and/or the Institute. Therefore, professional valuers shall never allow to be prevented in their achievement of justified and honest goals in the profession.

A professional valuer is personally responsible for flawless implementation and operation of the valuation activity in their organisation. Professional valuers are committed to organisational solutions that observe their independence in the performance of professional tasks. Due professional care requires proper planning, implementing and supervision of the activity. The professional valuer's reports and opinions are drawn up conscientiously and honestly, and are sufficiently understandable to the intended users.

4- PROFESSIONAL VALUER'S RESPONSIBILITY

In case of violation of professional rules, i.e. professional principles, standards and ethical principles of the profession, the professional valuer is answerable before the competent body of the Institute that may impose an appropriate measure.

5- APPLICATION OF THE CODE

As of the date of entry into force of this Code, the 2001 Code of professional ethics for professional valuers shall cease to apply.

This Code enters into force on the eighth day after the publication in the Official Gazette of the Republic of Slovenia.
APPENDIX 1: UNETHICAL AND UNPROFESSIONAL VALUATION

A professional valuer's behaviour is deemed to be unethical and/or unprofessional if it is contrary to the rules below:

1- Unethical remuneration for professional valuer's services

Confidence into the results of a professional valuer's work requires that a professional valuer is never remunerated on the basis of

a) the appraised value of the company, machine, equipment and/or real estate,
b) reduced tax liabilities of the client who used the professional valuer's services,
c) the opportunity for the client to obtain extremely favourable financing due to the professional valuer's services,
d) realisation of any decision or conclusion of the client,
e) submission to the client of adjusted important reports, opinions, data or testimonies in court proceedings.

A professional valuer behaves unethically if

- they negotiate compensation for their services or receive it in the form of commission or part of commission for intermediation or in any other similar pecuniary or other form related to the transaction with the appraised assets (company, machine, equipment and/or real estate);
- they negotiate payment of their services or receives such payment as a fixed percentage of the appraised value and/or estimated expenses determined by themselves in the conclusions of the work done;
- determine the price of their services in agreement with other professional valuers.
2- Biased valuation

It is unethical if the professional valuer has any current or future interest in the appraised assets and the valuation report is bias or made to its own purpose. A professional valuer must avoid all doubts and allegations concerning the objectivity and validity of the conclusions reached.

A professional valuer has interest in assets whose value is subject to appraisal, if such assets are in connection with:

- their possible ownership or ownership of their related persons,
- their intermediation or expectation of their intermediation or intermediation of their related persons in purchase, sale or financing of such assets,
- their management and/or expectation of their management of such assets, and/or such management on the part of their related person.

It is unethical if a professional valuer has future interests in the appraised assets that could be a threat to objectivity of valuation.

A professional valuer may exceptionally accept the work if, after complete disclosure by the professional valuer of their current or future interest in the assets, the potential client still wants that professional valuer to perform the job and if the professional valuer explicitly excludes their interest and specifically states that in the valuation report.

3- Responsibility with regard to signing the report on the appraised value

Confidence in the report on the appraised value is based on the signature by the professional valuer who is responsible for the conclusions contained therein. The client who commissioned the valuation is entitled to assume that the signer of the report is responsible for the conclusions contained therein, regardless of whether or not the valuation was carried out by the professional valuer in person or by others under their supervision. If a joint report on the appraised value was prepared by several professional valuers, all the signers are co-responsible for the validity of all conclusions. If differences of opinion exist, they must be written in the report since the client has the right to know of various opinions.

When a client asks for valuation from several professional valuers who should prepare independent valuations of the same assets, the client has the opportunity to receive from professional valuers separate independent opinions and apply them for the assessment and definition of a range of appraised values.

In connection with these rules, it is unethical:

a) to present a false professional valuer by adding the signature of a person who did not carry out the valuation, or of a person who did not supervise such valuation;
b) to delete from a joint report any signature or any different opinion;

c) to prepare two (or more) separate reports, when two or more professional valuers participated in the valuation of the same assets;

d) to have two or more professional valuers who accepted the valuation assignment from a client wishing to obtain independent valuations (appraised values) of the same assets; yet the professional valuers cooperate, have consultations or apply the findings of the other professional valuer;

d) for a professional valuer to sign a report on the appraised value prepared by another professional valuer.

When the valuation is entrusted to an appraisal firm, the report on the appraised value must be signed by the person who appraised the value.

4- Ill-considered opinions and preliminary report

An opinion on value, ability to generate profits or estimated costs of property is deemed to be wrong, if it is not convincing and lacks appropriate facts. Providing impetuous, ill-considered and improvised opinions that underestimate the importance of review, inquiry and analysis in valuation and reduce confidence in the results of quality valuation is unethical and unprofessional.

In case of a preliminary report, the professional valuer is required to note a statement that it is only a preliminary report and that the data and results in the final report might be different. If the statement is missing, the user might consider such preliminary report as final. This lowers professional reputation of the professional valuer and is in contradiction to professional criteria of valuation.

5- Unethical advertising

Unethical behaviour of a professional valuer is demonstrated in inaccurate, misleading and false statements, promises and presentations, for example in:

a) false self-presentations (in any form) of the professional valuer as a member of the Institute, a professional association or some other entity;

b) false presentations of one's own professional competence and/or ethical values or of somebody else's professional competence and/or ethical values;

c) false presentations of one's own past and current services to clients or in advertising by references made to clients without their permission and listing of clients;

d) presentations, assurances and implications that the appraised values have been adjusted to certain uses or conclusions, different from those based on fair and true work, observing professional rules, i.e. professional principles, standards and ethical principles of the profession.
Advertising of valuation services is not considered unethical.

**APPENDIX 2: THREATS AND SAFEGUARDS**

This Appendix includes discussion of the major categories of threat to a professional valuer's ability to comply with the fundamental principles and of the categories of safeguard that may eliminate or mitigate those threats.

1. **Categories of threats**

Threats to a professional valuer's ability to comply with the fundamental principles may be created by a broad range of relationships and circumstances. A circumstance or relationship may create more than one threat, and a threat may affect compliance with more than one fundamental principle. Threats fall into one or more of the following categories:

a) **Self-interest threat** – the threat that a financial or other interest will inappropriately influence the professional valuer's judgement or behaviour;

b) **Self-review threat** – the threat that a professional valuer will not appropriately evaluate the results of a previous judgement made or service performed, or by another individual within the same firm or employing organisation, on which the professional valuer may rely when forming a judgement as part of providing a current service;

c) **Client conflict threat** – the threat that two or more clients may have opposing or conflicting interests in the outcome of a valuation;

d) **Advocacy threat** – the threat that a professional valuer will promote a client’s or employer’s position to the point that their objectivity is compromised;

e) **Familiarity threat** – the threat that due to a long or close relationship with a client or employer, a professional valuer may be too sympathetic to their interests or too accepting of their work; and

f) **Intimidation threat** – the threat that a professional valuer will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the valuation opinion.
The extent to which any of the categories of threat listed above will impinge on a professional valuer's ability to comply with the Fundamental Principles will depend upon the facts surrounding the potential assignment.

2. Safeguards

Safeguards are actions or other measures that may eliminate threats or reduce them to an acceptable level. They fall into the following broad categories:

a) Safeguards contained in statutes or regulations relating to the purpose for which the valuation;

b) Safeguards contained in rules of behaviour (the Code of ethics) issued by a professional valuers' association to which the professional valuer belongs; and

c) Safeguards, contained in a firm's internal working procedures and quality controls.

Typical examples of safeguards contained in internal working procedures of the firm within which the valuation is carried out include:

- structuring a firm in which a professional valuer is operating in a way that the professional valuer or valuation team dealing with a valuation assignment is operationally separate from parts of the firm providing any potentially conflicting service. Separation of managerial control, access to data and support services should all be considered as appropriate to the circumstances and level of threat;
- requirements for maintaining a register of the material personal interests of professional valuers and his related parties and other staff engaged in valuation assignments;
- requirements for internal peer review of valuations;
- periodically changing of professional valuers responsible for recurring valuation assignments;
- controls on the acceptance of gifts or hospitality from clients commissioning valuations.

The foregoing safeguards are not intended to be exhaustive, nor are they capable of avoiding or mitigating every threat that a professional valuer may encounter to their ability to comply with the fundamental principles.

To provide effectiveness of a safeguard, consideration should be given to the disclosure of any safeguards appropriate to the assignment that are in place or that are proposed before an assignment is commenced. Consideration should also be given to including reference to these safeguards in the
valuation report or any published reference to the report, especially where the valuation is to be relied upon by parties other than the commissioning client.

Certain safeguards may increase the likelihood of identifying or deterring unethical behaviour. Such safeguards include:

- adoption of internal rules of professional behaviour and ethical behaviour within the firm in which a professional valuer is employed;
- an explicitly stated duty on professional valuers to report breaches of ethical requirements and to submit to the Institute initiatives for control and supervision of work performed by professional valuers in compliance with the Auditing Act; and
- effective complaint procedure which enables the public to draw attention to unprofessional or unethical behaviour of a professional valuer.

Dr. Samo Javornik
Vice-Chairman of the Expert Council of the Slovenian Institute of Auditors

Number: 10/12
Ljubljana, 7 November 2012