LifeProven

Proven Real Estate Performance

RICS

THE PERFORMANCE VALUER

A practical guide to assessing and evidencing real estate performance under the RICS ESG & Sustainability in Commercial Property Valuation Standard 4th Edition, 30 April 2026

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Purpose of this guide

To provide valuers with a structured, proportionate and evidence-led approach for identifying relevant ESG and sustainability factors, assessing their significance to value, analysing the quality of available evidence and reporting conclusions transparently under the RICS ESG and Sustainability in Commercial Property Valuation Standard, 4th Edition.

Prepared by LifeProven

LifeProven help investors, managers and owners define, understand, improve, deliver and prove the performance of their real estate and portfolios.

GUIDE CONTENTS

IMPORTANT

This guide supports professional judgement; it does not replace the Red Book, the applicable RICS standard, International Valuation Standards, jurisdiction-specific requirements, the terms of engagement or advice from appropriately qualified specialists.

01 EXECUTIVE SUMMARY

Commercial property valuation is increasingly required to consider not only what an asset is, but how it performs. Location, income, covenant, tenure and comparable evidence remain fundamental. However, regulation, capital allocation, lender requirements, operating efficiency, climate exposure, occupier expectations and asset obsolescence can now differentiate otherwise similar properties.

The RICS ESG and Sustainability in Commercial Property Valuation Standard, 4th Edition embeds ESG consideration throughout the valuation process. The valuer must identify relevant factors, determine whether they are significant to value, assess the available evidence, analyse market behaviour and explain how those matters have been reflected or reported. The required depth remains proportionate to the instruction and the potential effect on value.

The central proposition of this guide is that ESG should not be treated as a separate checklist or automatic premium. It should be considered as part of a wider assessment of real estate performance: the measurable ability of an asset to protect income, remain attractive to occupiers and capital, operate efficiently, adapt to change and sustain long-term value.

CORE PRINCIPLE

Performance does not replace established valuation methodology. Better evidence strengthens the valuer’s ability to apply professional judgement, test assumptions, distinguish assets and communicate uncertainty

USING THIS GUIDE ON A LIVE ASSET?

LifeProven supports valuers, asset managers and owners in establishing the performance evidence behind valuation assumptions, from asset data and regulatory exposure through to costed improvement strategies and operational performance.

Speak to LifeProven about a live valuation or asset: **hello@lifeproven.co.uk**

The practical approach:

- Agree the scope of ESG and sustainability consideration within the terms of engagement.
- Identify the factors relevant to the property, location, jurisdiction, valuation purpose and market.
- Determine whether each factor is significant to value through evidence of market participant behaviour.
- Assess the reliability, currency, comparability and independence of the evidence provided.
- Consider how relevant matters affect rent, growth, voids, costs, liquidity, yield, discount rates or other assumptions.
- Use specialist advice where technical assessment falls outside the valuer’s competence.
- Report material factors, evidence, assumptions, limitations and the valuation treatment transparently.

02 THE VALUER'S CHANGING ROLE

Valuers have always interpreted how physical, legal, financial and market characteristics affect value. The emerging requirement is not a departure from this role. It expands the range of information that may influence market behaviour and increases the importance of evidence quality.

2.1 Why the market is changing

- Investment capital is increasingly allocated according to regulatory alignment, transition risk and asset quality.
- Lenders and insurers may scrutinise energy performance, resilience, future capital requirements and data quality.
- Occupiers increasingly consider operating cost, comfort, accessibility, health, flexibility and corporate commitments.
- Owners face greater pressure to evidence performance through reporting, assurance and asset-level information.
- Technology is making operational performance more visible, measurable and comparable.
- Future regulatory and market changes can affect obsolescence, liquidity and the timing of capital expenditure.

2.2 The valuation question

ASK

Would informed market participants pay differently, transact differently, require different returns or make different assumptions because of the asset's performance, exposure or evidence?

The existence of an ESG characteristic does not itself establish significance to value. Significance depends on the asset, the market, the valuation date, the valuation purpose and observable or supportable market behaviour. An owner's strategy may provide useful context, but market value remains grounded in the actions and expectations of market participants.

03 THE PROFESSIONAL STANDARD & VALUATION PROCESS

Based on the source guide, the 4th Edition came into effect on 30 April 2026 and applies globally to RICS members and regulated firms undertaking Red Book valuations of commercial property. It requires ESG factors to be considered and reflected where significant to value, throughout the terms of engagement, inspection and investigation, comparable analysis and valuation report.

3.1 Four valuation stages

STAGE	VALUER ACTION	PRACTICAL OUTPUT
Terms of engagement	Agree the scope of ESG consideration, information to be provided, investigations, reliance and limitations.	Clear responsibilities, information requests and assumptions.
Inspection and investigation	Identify property characteristics, risks, performance factors and evidence that may be relevant.	Inspection record, evidence schedule and need for specialist advice.
Analysis and valuation	Assess significance to value, test comparables and reflect matters within the appropriate valuation method.	Supported assumptions for rent, yield, costs, cash flow and risk.
Valuation report	Explain significant factors, treatment, evidence, limitations and uncertainty.	Transparent and defensible valuation narrative.

3.2 Proportionality

The depth of investigation should be proportionate to the likelihood and scale of the effect on value. A recently completed prime office with extensive verified operational data may require a different analysis from a small secondary unit where ESG factors are not influencing local transactions. Proportionality should be agreed, evidenced and revisited as the instruction develops.

04 DEFINING REAL ESTATE PERFORMANCE

LifeProven defines real estate performance as the measurable ability of an asset to deliver financial, operational, environmental and occupier outcomes over time while remaining resilient to future market change.

This definition helps translate a broad ESG agenda into factors that can be analysed through established valuation logic. It avoids assuming that every certificate or initiative creates value and focuses attention on how performance affects income, risk, cost and marketability.

Performance dimension	Examples of evidence	Potential valuation relevance
Investment and market	Transactions, leasing velocity, buyer criteria, fund alignment, liquidity.	Demand, marketability, yield, exit risk.
Financial	Rent, incentives, voids, operating costs, service charge, capex.	ERV, rental growth, cash flow, deductions.
Operational	Energy use, plant condition, controls, maintenance, metering, system efficiency.	Operating cost, reliability, obsolescence, future expenditure.
Environmental	Carbon, water, waste, biodiversity, climate exposure, transition pathway.	Regulatory risk, capex, insurance, market preference.
Occupier	Comfort, wellbeing, access, safety, adaptability, satisfaction, retention.	Demand, retention, voids, rental resilience.
Governance and evidence	Data controls, policies, responsibilities, verification, records.	Reliance, uncertainty, confidence in assumptions.

05 A MATERIALITY AND SIGNIFICANCE FRAMEWORK

The valuer should separate three questions: relevance, significance and valuation treatment.

Question	Meaning	Valuer response
Is it relevant?	The factor relates to the asset, location, jurisdiction, valuation purpose or market.	Identify and investigate proportionately.
Is it significant to value?	In the valuer's professional judgement, it could greatly affect the resultant value.	Seek market and technical evidence; assess the valuation effect.
How should it be reflected?	The matter affects one or more valuation assumptions, costs or disclosures.	Reflect implicitly or explicitly and report the basis.

5.1 Five tests of significance

1. **Market participant test:** Is the factor influencing owner, occupier, lender or investor behaviour?
2. **Income test:** Could it affect rent, rental growth, incentives, retention, vacancy or recoverability?
3. **Risk and liquidity test:** Could it affect yield, discount rate, marketability, financing or exit?
4. **Cost test:** Does it create a material, timed and attributable capital or operating cost?
5. **Evidence test:** Is the apparent effect supported by reliable evidence rather than assertion?

PROFESSIONAL JUDGEMENT

No fixed formula applies across all properties. The valuer should avoid both automatic premiums and automatic discounts. The analysis should remain asset-specific and market-led.

06 THE PERFORMANCE ASSESSMENT FRAMEWORK

The following framework translates the source guide’s KPI categories into a practical valuer workflow. It is not a mandatory checklist. It helps structure questions, evidence, materiality, and possible valuation relevance.

6.1 Energy and carbon

Evidence to consider	Potential valuation linkage
Energy ratings and regulatory status	Current and future letting restrictions
Actual energy consumption and intensity	Operating cost and service charge
On-site renewable generation	Occupier and investor demand
Greenhouse gas emissions	Upgrade cost and timing
Transition and emissions pathway analysis	Obsolescence and marketability

6.2 Environment and resources

Evidence to consider	Potential valuation linkage
Physical climate exposure	Insurance and finance availability
Water use and scarcity	Business interruption and resilience
Waste and material efficiency	Future capital works
Biodiversity and site ecology	Operating costs
Location infrastructure and protections	Market perception and liquidity

6.3 Location and community

Evidence to consider	Potential valuation linkage
Access and mobility	Occupier demand
Public transport and active travel	Footfall and accessibility
Local amenities and infrastructure	Planning or stakeholder risk
Community impact and social value	Rental resilience
Area-level climate and utility resilience	Comparability with competing locations

6.4 Building and occupier experience

Evidence to consider	Potential valuation linkage
Access and inclusive design	Retention and leasing velocity
Indoor air quality and comfort	Void and incentive assumptions
Safety and security	Fit-out flexibility and obsolescence
Adaptability and flexibility	Rental differentiation
Occupier satisfaction and wellbeing	Operational reputation

6.5 Tenancy, ownership and governance

Evidence to consider	Potential valuation linkage
Green Lease Provisions	Cost allocation and recoverability
Owner and occupier responsibilities	Ability to deliver improvements
Data access and sharing	Income security
Planning and legal exposure	Transaction risk
Perception, reputation and management quality	Reliability of information

6.6 Labels and certificates

Evidence to consider	Potential valuation linkage
BREEAM, LEED, DGNB, EDGE, Green Star, HQE	Evidence of specification or performance
NABERS and operational ratings	Market recognition and comparability
WELL and health-related standards	Potential occupier or fund requirements
Local equivalents and building labels	Limitations where certification is historic or design-only
Scope, date, rating level and verification basis	Need to avoid double-counting

07 EVIDENCE QUALITY AND RELIABILITY

A defining challenge for valuers is not simply the volume of ESG information, but whether it can be relied upon. Certificates, management statements, design targets and measured outcomes are not equivalent.

7.1 Evidence hierarchy

Level	Evidence Type	Typical reliance considerations
1	**Unverified statement or aspiration**	Useful context, but limited evidential weight without support.
2	**Documented policy, strategy or design intent**	Shows planned approach; does not prove implementation or outcome.
3	**Certificate, survey or technical report**	More reliable where current, scoped appropriately and prepared by a suitably qualified professional.
4	**Measured operational data or completed works evidence**	Strong asset-specific evidence where complete, governed and representative.
5	**Independent verification and longitudinal evidence**	Highest confidence where methodology, trend and comparability are transparent.

7.2 Evidence hierarchy

- **Relevance:** Does it answer the valuation question?
- **Currency:** Is it sufficiently recent for the valuation date?
- **Completeness:** Does it cover the whole asset, relevant period and material systems?
- **Accuracy:** Is the methodology clear and free from obvious error?
- **Independence:** Has it been prepared or verified by an appropriate third party?
- **Comparability:** Can it be compared with a benchmark or comparable property?
- **Auditability:** Can the source, calculation and assumptions be traced?
- **Consistency:** Does it align with other records and observed conditions?

DATA GAP PRINCIPLE

Missing information does not automatically justify an adverse adjustment. It may require an assumption, further investigation, a limitation or a wider range of uncertainty, depending on significance.

08 APPLYING PERFORMANCE TO VALUATION INPUTS

Performance factors may be reflected explicitly or implicitly. The valuer should avoid double-counting and explain the route by which the issue affects value.

Valuation input	Possible performance influence	Evidence required
Estimated Rental Value	Occupier demand, operating cost, specification, certification, comfort, location resilience.	Lettings, incentives, leasing periods, occupier requirements, comparable specification and performance.
Yield	Liquidity, obsolescence, regulatory exposure, financing, investor demand, future uncertainty.	Investment transactions, bid depth, lender criteria, purchaser feedback and market commentary.
Rental growth	Future demand, adaptability, transition alignment and competing supply.	Market forecasts, leasing evidence, pipeline and asset competitiveness.
Void and incentives	Marketability, fit-out readiness, access, amenity and occupier experience.	Local letting evidence, days on market, incentives and retention.
Operating costs	Energy, maintenance, water, technology and management efficiency.	Actual accounts, service charges, benchmarks and plant records.
Capital expenditure	Compliance works, resilience, plant replacement and improvement pathway.	Technical scope, timing, cost plan, responsibility and funding.
Discount rate / DCF	Risk, timing, volatility and confidence in future cash flows.	Scenario analysis, evidence of exposure and mitigations.
Terminal value	Long-term obsolescence, market alignment, adaptability and exit demand.	Future standards, competing stock, transition pathway and residual capex.

8.1 Explicit versus implicit treatment

An explicit adjustment may be appropriate where a cost, income difference or market adjustment can be separately evidenced. An implicit treatment may be appropriate where performance forms part of the overall assessment of asset quality and risk. The valuer should state the approach and confirm that the same factor has not been reflected twice.

09 COSTS, CAPITAL EXPENDITURE AND SPECIALIST ADVICE

Where works or liabilities are significant to value, the valuer should consider amount, timing, scope, responsibility, recoverability, approvals and execution risk. Cost evidence should ideally be prepared by a suitably qualified cost professional.

9.1 Cost evidence schedule

Item	Questions for the valuer
Scope	What work is required and what outcome does it achieve?
Timing	Is the cost immediate, phased, triggered by lease event or future regulation?
Responsibility	Does the cost fall to landlord, occupier or another party?
Recoverability	Can any amount be recovered through service charge, lease or grant?
Status	Is the work proposed, designed, approved, funded, contracted or completed?
Risk	Are contingency, inflation, access, phasing and business interruption included?
Benefit	Does the work maintain compliance only, or improve income, marketability or resilience?

9.2 Competence and reliance

Valuers are not expected to provide specialist engineering, climate, environmental or cost advice outside their competence. The terms of engagement and report should state the extent of reliance on third-party information, the qualifications of the adviser where relevant and any material limitations.

10 WORKING THROUGH THE VALUATION INSTRUCTION

10.1 At instruction

- Confirm the property type, purpose, basis of value and valuation date.
- Agree which ESG and performance information the client will provide.
- Clarify investigations the valuer will undertake independently.
- Identify likely areas requiring specialist input.
- Record assumptions, reliance, materiality thresholds and limitations.

10.2 During investigation

- Review the asset baseline, operational evidence, regulatory position and improvement plans.
- Compare information with observed conditions and available market evidence.
- Challenge inconsistencies, outdated certificates and unsupported claims.
- Maintain an evidence schedule identifying source, date, owner and reliability.
- Escalate significant gaps before finalising valuation assumptions.

10.3 During analysis

- Identify the valuation mechanism for each significant factor.
- Test explicit adjustments against comparable evidence and avoid double-counting.
- Consider scenarios where timing or regulatory outcomes are uncertain.
- Distinguish asset-specific performance from general market sentiment.
- Document professional judgement and sensitivity where evidence is limited.

10.4 Before reporting

- Confirm that all significant factors are reflected or explained.
- Check consistency between narrative, assumptions and valuation model.
- State reliance on third-party reports and unresolved limitations.
- Explain whether an effect is explicit, implicit or not reflected due to insufficient market evidence.
- Ensure wording does not imply that certification automatically creates a premium.

11 PROPERTY INSPECTION PROMPTS

Area	Inspection prompts
Building fabric	Condition, insulation indicators, glazing, air leakage, shading, façade and roof constraints.
Plant and systems	Age, condition, fuel source, controls, metering, sensors, commissioning and remaining life.
Energy and carbon	EPC display, on-site generation, charging, energy systems, transition constraints.
Water and resources	Metering, leakage, drainage, flood measures, waste facilities and material condition.
Occupier experience	Access, comfort, air quality indicators, daylight, amenity, safety, flexibility and inclusivity.
Location resilience	Transport, utilities, flood defences, access routes, heat exposure and local infrastructure.
Governance and records	Logbooks, maintenance records, certificates, dashboards, management processes and data availability.

12 COMPARABLE EVIDENCE AND BENCHMARKING

The source guide recognises that asset-level ESG information is often unavailable within transaction evidence. This limits the ability to isolate the effect of individual factors. The valuer should therefore record what is known, what is inferred and how much weight is placed on each source.

12.1 Comparable analysis questions

- Are the comparable assets subject to the same regulatory regime and market expectations?
- Were performance characteristics known to market participants at the transaction date?
- Do certificates reflect design, as-built or operational performance?
- Are differences in rent or yield attributable to performance, or to location, lease, covenant and specification?
- Is there evidence from leasing, sales, bids, lender feedback or purchaser due diligence?
- Can relevant benchmarks be normalised for property type, occupancy, hours and climate?

12.2 Triangulation

Where direct transaction evidence is limited, the valuer may triangulate across lettings, investment transactions, occupier requirements, lender criteria, cost evidence, market surveys and technical benchmarks. The report should distinguish direct market evidence from contextual or supporting evidence.

13 REPORTING AND DISCLOSURE

The valuation report should explain significant ESG and sustainability factors in a manner proportionate to the instruction. The objective is transparency rather than a separate ESG score.

13.1 Minimum reporting narrative

1. Factors considered and why they were relevant.
2. Factors judged significant to value.
3. Evidence reviewed and any reliance placed upon specialists.
4. How the factors were reflected in the valuation.
5. Material information gaps, assumptions and limitations.
6. Uncertainty or sensitivity where evidence or future requirements remain unresolved.

SUGGESTED DISCIPLINE

Use neutral valuation language: “market evidence indicates”, “we have reflected”, “we have made an allowance”, “we have not made a separate adjustment”, and “we have reported the limitation”. Avoid advocacy language such as “green premium guaranteed” or “best-in-class therefore higher value”.

14 WORKED VALUATION SCENARIOS

14.1 Secondary office with EPC D and proposed future tightening

The property is currently lettable but may face future regulatory and market exposure. The client provides no costed improvement pathway. The valuer identifies potential significance through future compliance, occupier demand and exit risk. In the absence of reliable cost evidence, the valuer may seek specialist advice, make a reasonable allowance, apply sensitivity or report a limitation. The treatment may affect capex, ERV, voids, yield or DCF assumptions depending on market evidence.

14.2 Office with evidenced occupier performance

The owner provides current satisfaction data, retention evidence, indoor environment monitoring and a documented engagement programme. The valuer tests whether this is reflected in lease renewals, incentives, vacancy and comparable occupier demand. Where market evidence supports differentiation, it may inform ERV, rental growth or void assumptions. The evidence should not be treated as an automatic premium.

14.3 Logistics asset with high specification but limited operational data

The property has a strong design certificate and efficient systems, but actual consumption data is incomplete. The valuer distinguishes design intent from operational performance. The certificate may support asset quality and marketability, while limitations in measured evidence should be recorded. No additional operational benefit should be assumed without support.

14.4 Climate-exposed asset with funded mitigation

A technical assessment identifies physical risk, but the owner has an approved, funded and costed mitigation plan. The valuer considers residual risk, timing, execution and insurance implications. The existence of a plan does not remove the risk, but may reduce uncertainty compared with an unmanaged exposure.

15 THE LIFEPROVEN FIVE-PILLAR LENS FOR VALUERS

PIllar	Valuer interpretation	Key question
Define	Establish the valuation purpose, relevant performance drivers and scope of investigation.	What performance matters to this market and instruction?
Understand	Gather, test and assess asset, operational, market and regulatory evidence.	What do we know, and how reliable is it?
Improve	Review risks, mitigations, transition pathways and proposed interventions.	Can identified exposure be reduced credibly?
Deliver	Confirm whether planned works have been approved, funded, implemented and commissioned.	What has actually been delivered?
Prove	Assess measured outcomes, independent verification and market evidence.	Can the claimed performance be demonstrated and linked to value?

This lens is not a substitute for valuation methodology. It is a disciplined way to separate ambition from evidence and planned action from demonstrated outcome.

FROM PERFORMANCE EVIDENCE TO VALUATION EVIDENCE

Valuers increasingly need reliable evidence to understand whether asset performance is relevant to value. But producing that evidence often sits outside the valuation instruction.

LifeProven works alongside owners, investment managers and their professional advisers to establish the evidence behind real estate performance.

We can help to:

- Establish an asset performance baseline
- Identify material performance risks and opportunities
- Interrogate operational and ESG data
- Assess regulatory and transition exposure
- Develop and cost improvement strategies
- Verify completed interventions and operational outcomes and
- Create an evidence trail that can be provided to valuers, lenders, investors and other stakeholders.

If an asset lacks the evidence needed to demonstrate its performance, we can help build it.

Talk to LifeProven about an asset: **hello@lifeproven.co.uk**

16 THE FUTURE OF PERFORMANCE-LED VALUATION

Valuation is likely to become increasingly supported by live asset data, digital records, automated benchmarking, climate analytics and AI-assisted review. The profession's distinctive value will remain professional judgement: determining relevance, testing evidence, understanding market behaviour and explaining how uncertainty affects value.

The most valuable digital development may not be a single score. It may be a reliable asset performance record that enables valuers to trace property characteristics, operational outcomes, capital interventions and market evidence over time.

FUTURE PRINCIPLE

As buildings become more measurable, the quality of valuation will depend not only on access to data, but on the valuer's ability to distinguish information from evidence and correlation from value causation.

APPENDIX

Appendix A – Valuer information request

- Property and lease information
- EPCs and applicable exemptions
- Design and as-built specifications
- BREEAM, LEED, NABERS, WELL and other certificates
- Energy, emissions, generation, water and waste data
- Plant schedules, condition surveys and maintenance records
- Climate and location risk assessments
- Insurance information relevant to physical risks
- Occupier satisfaction, retention, vacancy and engagement data
- Accessibility, safety and indoor environment evidence
- Green lease clauses and data-sharing provisions
- Capital expenditure plans, approvals, funding and cost reports
- Net zero or transition pathways
- Relevant planning, legal and regulatory information
- Asset dashboards, assurance reports and data governance records

Appendix B – Asset inspection checklist

Check	Observation / Evidence	Potential Significance	Follow-Up Required
Fabric and façade			
Roof and drainage			
Heating and cooling			
Ventilation and air quality			
Controls and BMS			
Metering and sensors			
Renewable generation			
Water systems			
Waste and materials			
Access & inclusive design			
Safety and security			
Occupier amenity			
Adaptability and flexibility			
Flood & climate measures			
Local infrastructure			
Certificates and records			

Appendix C – Performance evidence schedule

Factor	Document / Data	Date	Source	Reliability	Significance?	Valuation Treatment

Appendix D – Suggested report wording

D1. Factor significant and reflected explicitly

"We consider the identified performance factor to be significant to value because [market rationale]. We have reflected this through [specific valuation input or cost allowance], having regard to [evidence]. The adjustment is subject to [assumption or limitation]."

D2. Factor significant but reflected implicitly

"We consider the identified performance factor to contribute to the property's overall marketability and risk profile. We have reflected it within our assessment of [yield / ERV / discount rate] rather than as a separate adjustment, having regard to the available market evidence."

D3. Relevant but not demonstrated as significant

“We have considered [factor]. On the evidence available at the valuation date, we have not identified sufficient market evidence that it is significant to value for this instruction and have therefore made no separate adjustment.”

D4. Material information limitation

“The information available in relation to [factor] was incomplete. We have therefore adopted [assumption / allowance], and the valuation should be read subject to this limitation. Further specialist investigation may affect the conclusion.”

Appendix E – Disclaimer

This document has been prepared by LifeProven Holdings Limited for general information and market-commentary purposes only. It is not specific to any particular asset, transaction or recipient and does not constitute valuation, investment, financial, legal, tax, insurance or other regulated or professional advice.

Nothing in this document constitutes a valuation, an opinion of value or a recommendation to acquire, dispose of, finance, refinance, insure, develop or invest in any property. Recipients should obtain independent advice appropriate to their circumstances.

The document is based on LifeProven Holdings Limited’s interpretation of the source guide and the standards and market conditions described in it. Valuation treatment remains the responsibility of the appointed valuer, based on the terms of instruction, applicable professional standards, available market evidence and professional judgement. No particular valuation or commercial outcome is guaranteed.

CAN YOUR ASSET PROVE ITS PERFORMANCE?

A valuation can only reflect the evidence available.

LifeProven helps investors, asset managers and owners understand how their real estate is performing, identify where evidence is missing and create a clear pathway from performance risk to measurable improvement.

If you are preparing an asset for valuation, acquisition, refinancing or investment decision-making, speak to us about its performance evidence.

Start a Performance Review with LifeProven.

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THANK YOU

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