

2 February 2024

Mr Patrick de Cambourg  
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Dear Patrick,

## **Draft EFRAG IG1 Materiality Assessment, Draft EFRAG IG2 Value chain and Draft EFRAG IG3 List of ESRS datapoints**

We welcome EFRAG developing implementation guidance on materiality and value chain as these are areas of the sustainability reporting requirements that will be challenging for entities to apply.

Our overarching comments on both sets of draft guidance are set out in the main body of our letter, with more detailed points in the Appendices.

### **Proposed IG1: Materiality**

We are concerned that, as proposed, the guidance may lead to financial materiality as set out in ESRS and the ISSB's approach to materiality being misaligned. We believe that these issues should be addressed before the guidance documents are finalised because this is critical to ensuring interoperability with IFRS Sustainability Disclosure Standards and connectivity with IFRS Accounting Standards. We have identified four critical issues which are outlined below.

#### *Interaction between impacts and financial materiality*

We welcome the alignment of the definition of financial materiality in ESRS with the ISSB's definition of materiality. However, we are concerned that the guidance emphasises the separation of impacts, risks and opportunities and that this will lead to a narrower application of the concept of financial materiality than intended. For example, the guidance on the financial materiality assessment does not acknowledge that impacts, risks and opportunities are interrelated and as described by the ISSB, impacts may give rise to sustainability-related risks and opportunities (IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, paragraph B2) (refer to Appendix A for further examples).

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We have similar concerns on the draft guidance on the value chain. This is illustrated in the examples in IG2 which either focus on ‘impacts’ or ‘risk and opportunities’ but do not recognise the overlap. In addition, there are some examples which imply that for a risk to be financially material, there must be an immediate monetary effect (refer to Appendix A). This perpetuates the risk of preparers taking a narrower lens for financial materiality without considering the broader risks that have not been recognised in the financial statements but could affect an entity’s future development, performance or position.

It is important that impacts, risks and opportunities are considered holistically in both sets of guidance.

### *Financial materiality thresholds*

The guidance introduces new wording about risks and opportunities relating to an impact emerging ‘over time’ or when they are ‘expected’ to occur. We are concerned that the draft guidance is setting different thresholds for reporting of risks that are financially material when compared to the approach in ISSB standards.

We suggest that, where the guidance uses the term ‘over-time’, it makes it clear that risks that are financially material should be disclosed when identified, in the current period.

Furthermore, there are some examples in the draft guidance which use the words ‘expected’. The term ‘expected’ is interpreted and well understood in practice to mean when the likelihood of occurrence is more than 50 per cent. The implication is that there is an additional a materiality overlay for risk reporting. We suggest, the references to ‘expected’ are removed.

### *Integrated approach to identification of impacts, risks and opportunities and materiality assessment*

We believe it is critical that the assessment of materiality for sustainability reporting is integrated into an entity’s existing materiality processes. It should be seen as a holistic and cohesive process.

The guidance should also explain that the assessment of materiality is not a linear process and, in practice, an entity could start with the risks and opportunities it has already identified through its existing governance and risk management processes.

### *Requirements versus guidance*

We consider it essential that the implementation guidance is distinguishable from the requirements in the standards. As a minimum, we recommend that the relevant requirements are reproduced in full and included in quotes, with cross-references to relevant ESRS paragraphs rather than paraphrasing.

## ***Other matters***

In addition to the four critical issues, we also have some observations about interoperability and the structure of the guidance.

### ***Interoperability***

We welcome the recognition that the materiality assessment performed under GRI would form an appropriate basis for the assessment of impact materiality under ESRS. This will be critical to ensuring interoperability between the two sets of standards.

For ISSB, the guidance does not acknowledge that the material information required to be reported applying IFRS Sustainability Disclosure is likely to meet the requirements for financial materiality under ESRS. Acknowledging this symmetry is important to emphasising interoperability. This can be achieved by adding the words 'and vice versa' to paragraph 133.

When the guidance refers to IFRS Sustainability Disclosure Standards, it needs to use the specific words in those standards. The proposed guidance suggests that the IFRS Sustainability Disclosure Standards use the term 'financial materiality' when the term used is 'materiality' (refer to Appendix A).

As EFRAG and the ISSB develop further guidance on materiality, it is important that the boards continue their efforts to ensure that materiality assessments are aligned. A strong signal to support interoperability would be if the EFRAG guidance incorporated some of the application guidance on materiality in IFRS S1 General requirements (for example, from IFRS S1:B13-28).

### ***Structure***

We believe that the structure and flow of the guidance does not align with the structure and flow of the requirements it is designed to support. The clarity, conciseness and cohesiveness of both sets of guidance could be improved by distinguishing clearly between the processes for identifying of 'material matters' and disclosing 'material information'. The structure we have suggested in Appendix B would help achieve this.

## **Proposed IG2: Value chain**

One of the major challenges for entities in applying the reporting requirements relating to the value chain is to determine how far they need to go to identify and assess material IROs. They also need to establish the boundaries between their 'own operations' and upstream and downstream activities.

ESRS uses the financial control concept in accounting standards to establish the reporting boundary and therefore 'own operations'. It is unclear why the guidance focuses on the concept of operational control which is specific to the reporting of GHG emissions. Applying this concept to other sustainability matters seems to be interpretative and going beyond the requirements of ESRS. In addition, we note that the operational control concept is challenging to apply and

therefore call for more guidance on the interaction of that concept with ESRS and financial accounting standards such as IFRS 10 *Consolidated Financial Statements*.

We believe additional guidance would help companies identify the boundaries of the value chain. Developing this guidance should be a priority and we suggest that the EFRAG Lab would be an appropriate forum to develop illustrative examples.

If you have any questions on our comments, please contact Veronica Poole at +44 20 7007 0884 or Laurence Rivat at +33 1 55 61 67 60.

Yours sincerely



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## Appendix A —Detailed comments

### General

Reference	Comment	Recommendations
FAQs	<b>Interpretations:</b> We consider that the FAQs are helpful but this does not negate the need for the European Commission to issue interpretations on the ESRS requirements, including on materiality and the value chain as practice develops.	
FAQs	<b>Accessibility</b>	We suggest EFRAG creates an FAQ database on its website which allows users to search FAQs across all implementation guidance documents.
All IG documents	<b>Referencing:</b> If a user of the implementation guidance does not have considerable previous knowledge of, or exposure to, ESRS, the implementation guidance can be difficult to understand due to the extensive use of internal and external references. It should be explicitly clear what content in the guidance references requirements in ESRS and the content that is EFRAG guidance on those requirements.	We suggest: <ul style="list-style-type: none"> <li>• adding hyperlinks for internal FAQ/paragraph references and to either include hyperlinks to external references or integrate the relevant material into the document itself (or a combination of both)</li> <li>• using direct quotes and quotation marks rather than a simplified reference to or paraphrase of ESRS text, or adding quoted text in a text box next to the guidance when referencing ESRS text.</li> </ul>
Disclaimer / Summary	<b>Acronyms:</b> Users of the implementation guidance may not be familiar with certain acronyms used in the guidance.	We suggest referencing the ESRS glossary (Annex II) either in the disclaimer or the summary section.
All IG documents	<b>Examples:</b> Across all implementation guidance documents, there are instances where, without including examples, the guidance may not be fully understood by users of the implementation guidance.	We suggest that EGRAG consider developing illustrative examples for entities where they could help entities understanding the guidance. Ideally, some would be added before the guidance is

		<p>published. However, we acknowledge that it can take time to develop meaningful examples and these could be added over time.</p> <p>In some cases adding simple examples could help entities understand the type of circumstance the standards are anticipating. For example, in the guidance on value chain (paragraph 142) it would be helpful to include some examples of the circumstances and type of explanation entities would be expected to provide when no value chain data is available to the entity to enable it to make a meaningful estimate.</p>
Assurance	<p>The guidance uses the term criteria throughout. The manner in which it is used in the guidance is not consistent with the way it is defined or used in an assurance context and in assurance standards, for example within International Standard on Assurance Engagements (ISAE) 3000 (Revised) or the proposed International Standard on Sustainability Assurance (ISSA) 5000. Given that the process carried out by the entity to identify the information to be reported and related disclosures will be subject to assurance, the lack of clarification on this term could lead to misunderstanding for entities and assurance providers.</p>	<p>We recommend EFRAG acknowledge within the guidance that criteria, as used in the guidance, does not have the same meaning and should not be interpreted to have the same meaning as when used in the context of assurance engagements and assurance standards. Further, we recommend referring to the characteristics of suitable criteria as outlined in ISAE 3000 (Revised) paragraphs 12c, A10, A36, and A45-A46 as the entity's description of their process will need to exhibit the characteristics of suitable criteria in order to establish that the preconditions for assurance are present.</p>
Assurance	<p>Recognising that documentation requirements and level of evidence to support the materiality assessment are outside of the remit of the ESRS</p>	<p>Wording to this effect could be added to the existing content in paragraph 176 or made as an</p>

	(as per paragraph 177) we recommend clarifying that supporting documentation and evidence should be retained both for internal control and oversight purposes (as per paragraph 176) and for purposes of obtaining assurance.	additional point in response to FAQ 12.
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## IG1

Reference	Comment	Recommendation
Figure 1a)	The diagram does not make it clear that it is possible that a matter could be material only from an impact or financial perspective.	To supplement the diagram, we suggest considering including industry-agnostic examples of matters that are material from only one perspective.
Figure 1b)	The diagram is difficult to understand as there is no introduction to explain its purpose. Additionally, the arrows in the chart do not align in an easily comprehensible manner and the legend does not clarify sufficiently.	<p>We suggest either:</p> <ul style="list-style-type: none"> <li>communicating the message of the diagram in a few sentences or in a simplified manner (e.g. Step 1—identify material IROs, Step 2—determine what is needed for reporting, etc.). It should be clear that entities must first determine what are the material IROs/matters to report on, and then determine which information to report. As a minimum, include explanatory text in addition to the diagram to support its purpose, or</li> <li>presenting the materiality assessment performance narrative (such as Steps A-D in section 3 of the guidance) clearly and directly within the guidance in one location (as opposed to several</li> </ul>

		locations throughout the guidance as currently)
Financial materiality & impacts Figure 1c)	Figure 1c) could be misinterpreted to mean that <i>financial effects of impacts</i> would not be required to be disclosed, and that only financial effects of risks and opportunities would be required to be disclosed.	We suggest clarifying that financial effects and impacts are often closely related and impacts may lead to financial effects.
Financial materiality & impacts FAQs 3 & 4	The FAQs refers to information about impacts, which some may read to imply that there is no information about impacts that could be financially material.	We suggest including a sentence acknowledging that information about impacts may result in financially material information.
Para 12, 132	As we note in the body of the letter, there are some places where the draft guidance doesn't reflect terminology in ISSB standards.	We suggest the following: <ul style="list-style-type: none"> <li>• Delete the second sentence in paragraph 12</li> <li>• Make it clearer in paragraph 132 that it is the approach to financial materiality that is aligned.</li> <li>• Consider adding a footnote to paragraph 132 clarifying that the ISSB standards do not have a definition of 'financial materiality'; however, the definition of materiality under ISSB Standards is aligned with EFRAG's definition of financial materiality. This would help reinforce interoperability.</li> </ul>
Para 96, 179	If an entity determines that it does not have any individually material IROs within a subtopic or a sub-subtopic, but it has immaterial IROs across <i>various</i> sub-topics (disaggregated amongst subsidiaries), it is unclear if there are circumstances in which an aggregation of impacts that are individually not material should be performed.	We suggest introducing guidance on the steps that need to be followed to assess whether potential matters are material in aggregate even though the individual items were not identified as being material.
Para 123 FAQ 3	We suggest additional guidance is provided in paragraph 123 and FAQ 3 to explain the	We suggest:



Para 155, 156(d)	comparison between materiality for financial statements and for the sustainability statement.	<ul style="list-style-type: none"> <li>• Including, the requirement to consider qualitative factors upfront in paragraph 123</li> <li>• Amending the title of FAQ 3 to 'Is the type of information that is material for the financial statements the same as for the sustainability statement?'</li> <li>• Explaining 'expansion of scope' in paragraph 155 and ESRS 1 paragraph 47 by highlighting that although the approach to assessing financial materiality is aligned, it is the objective of the report (sustainability or financial) that results in the disclosure of different information.</li> <li>• Replace 'the financial planning horizons or by the historical cost convention' in paragraph 156(d) with 'horizons used in financial statements (such as useful lives of assets)' as this is more clearly understood as affecting financial statements than financial planning and the historical cost convention.</li> </ul>
Section 3.6.2	The example in the green text box is not sufficiently clear as to whether a matter that is assessed as material from an impact perspective at a subsidiary level would also always be considered material at a higher consolidated group level. What would be the circumstances where an IRO identified at a subsidiary level would not be considered to be material at a group level?	More clarity is required about materiality assessments at an individual company level and how the assessment relates to materiality at the consolidated group level. Furthermore clarification is required about the application of ESRS 1 paragraph 103, in this context.

	<p>For instance, it is particularly unclear whether changes in the scoring of the scope (depending on whether a smaller or larger lens within a group is applied) could change the overall assessment of the scoring of the severity of the matter.</p> <p>The assessment of the scope is not referred to in the green text box.</p> <p>It is also unclear in which circumstances the disclosure for different assessments of IROs for subsidiaries vs. the group should be made and disclosed (as required by ESRS 1:103).</p>	<p>As a minimum, we suggest referencing FAQ 13 in Section 3.6.2 to introduce the concept of establishing an appropriate level of consistency and defining thresholds for the entire group (e.g. establish a level of judgement from an entity's perspective, as it relates to reporting potential and/or material impacts of a subsidiary (pending the severity assessment)).</p> <p>In any case, illustrations would be helpful for disclosure assessments of IROs for subsidiaries and groups.</p>
FAQ 10	<p>In practice, the quantitative assessment of the materiality of IROs is difficult to perform for entities that are less familiar with the IRO scoring process.</p>	<p>When possible, we suggest developing further illustrations and examples of the IRO scoring process to supplement existing guidance. EFRAG could also consider if further development of the scoring process could be appropriate as part of the development of the sector standards.</p>
FAQ 23	<p>FAQ 23 highlights that further clarity is needed on whether risks or opportunities should be assessed on gross or net basis.</p>	<p>In our view, this may be an interpretation of the standards and therefore should be considered further by the European Commission rather than addressed through guidance.</p>
Para 168	<p>In paragraph 168, the guidance is worded in a way that could be understood as taking an interpretative view of ESRS standards. In our view, it puts a bias towards quantitative measures (references to "Where possible" and "most objective evidence"), whereas ESRS do not take such a stance.</p>	<p>We suggest re-wording this paragraph to the following:  <i>"Where available, quantitative measures of IROs provide objective evidence of materiality".</i></p>

	As this document is intended to be guidance only, any interpretative view within this paragraph should be avoided because this would require a different standard-setting process.	
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## IG2

Reference	Comment	Recommendation
Interaction between Impacts, Risks and Opportunities Para 33(b) FAQ 1, para 71	<p>The draft guidance addresses 'Impacts' and 'Risks and Opportunities' separately, which does not highlight the interaction.</p> <p>Specific examples are:</p> <ul style="list-style-type: none"> <li>Paragraph 33(b) describes how a risk to workers and local communities should be considered as part of impact materiality even though the same risk could be relevant to investors (and therefore financially material).</li> </ul> <p>This should be acknowledged rather than adding a separate, unrelated, example on financial materiality. The example also implies that financial materiality is only relevant because there is a cash outflow (a fine or the costs of a closed business). It could also be financially material due to reputational reasons (reduced revenues, access to or cost of capital).</p> <ul style="list-style-type: none"> <li>The response to FAQ 1 (para 71) suggests that the scope of the VC could be different for impacts compared to risks and opportunities.</li> </ul> <p>Furthermore, para 72 includes criteria for identifying potential / actual impacts but does not acknowledge that these criteria could also be relevant for identifying risks and opportunities.</p> <ul style="list-style-type: none"> <li>Paragraph 79 states when undertaking a materiality assessment to identify IROs that 'the undertaking should focus on the parts of the value chains where material impacts are likely to occur.'</li> </ul>	We suggest that the guidance explain that the examples should not be considered in isolation and in practice, an entity would need to consider both.

	<p>We suggest adding ‘risks and opportunities’ to this sentence.</p> <ul style="list-style-type: none"> <li>• Paragraphs 88 and 103 also refer only to impacts. Risks and opportunities should be added.</li> <li>• Paragraph 104 refers to risks and opportunities and then refers to dependencies. It is not clear if paragraph 104 builds on paragraph 103 and so is adding dependences to impacts or if impact is intentionally not referred to in paragraph 104. The latter could imply that impacts are not relevant in the identification of “material risks and opportunities”.</li> <li>• Paragraph 113 begins by noting that qualitative information on “material” IROs may be sufficient. The paragraph goes on to state that quantitative information may help users understand impacts, their severity and likelihood etc. Again, no reference is made to risks and opportunities, which should be added.</li> <li>• Paragraph 140 states ‘in the context of materiality assessment, the focus on the VC and VC information should be on where the undertaking is expected to have severe negative impact (on people and the environment).’ Again, risks and opportunities are not referenced which could imply that they are not part of the materiality assessment.</li> </ul>	
Definition of value chain	The guidance considers only some aspects of the value chain, focusing on the entity and its upstream and downstream activities.	We suggest the guidance address, or at least acknowledge, the full breadth and depth of the value chain— i.e. an entity’s financing and the geographical, geopolitical and regulatory environment.
Section 2.3	There is a lack of guidance on the following topics in this section:	We suggest additional guidance is included for:

	<ul style="list-style-type: none"> <li>for unconsolidated subsidiaries, there is no indication that an operational control assessment is not needed as it is the financial control that matters for reporting purposes.</li> <li>it is understood that managed assets from the operator perspective are assessed for operational control, however it is not clear how controlled assets subject to contractual arrangements should be treated—does the operational control assessment apply?</li> <li>for entities that are an investment of another entity and that are not actors in the value chain, should they be considered for the IRO assessment? Are additional metrics required (other than Scope 3 metrics)?</li> </ul>	<ul style="list-style-type: none"> <li>instances where there is operational control of certain activities of unconsolidated subsidiaries</li> <li>entities with assets under management or managed assets</li> <li>entities that are an investment of another entity and that are not actors in the value chain.</li> </ul>
Section 2.3	<p>The draft guidance seems to suggest that when an associate or joint venture is part of an entity's value chain through a business relationship, such as being a supplier or customer, then consideration of information and metrics is limited to the that role in the value chain rather than also considering activities related to the equity interest.</p> <p>For example, paragraph 38 distinguishes between associates and joint ventures that have a business relationship and those that are not. Paragraph 48 could be read to suggest that information related to impacts, risks and opportunities should only include those arising from the business relationship.</p>	<p>We suggest:</p> <ul style="list-style-type: none"> <li>Clarifying whether identifying material IROs arising from associates and joint ventures should consider both those arising from the undertakings' equity interest and from the role of the investee through a business relationship.</li> <li>Clarifying the interaction related to determining impact metrics in relation to an associate or joint venture that arise from both the equity interest and the business relationship.</li> </ul>
Para 36	<p>There is limited guidance for cases when subsidiaries are excluded from the consolidated financial reporting on the basis of materiality. Paragraph 36 is not sufficiently clear that if an entity identifies a subsidiary as not material for full consolidation in financial reporting, it could still be considered material for sustainability reporting</p>	<p>We suggest explaining this further in paragraph 36. If an entity is excluded from consolidated financial reporting on grounds of materiality, it is not clear how this situation</p>

	and the reporting of metrics. Additionally, the reference to the MAIG and FAQs for these is not clear enough.	should be addressed for sustainability reporting.
Para 39, 45	The guidance in some paragraphs seems to be interpretative. Paragraph 45 is an example as the operational control concept is going beyond the ESRS requirements in ESRS E2-4, ESRS E4 para 16. There may be other paragraphs. As these documents are supposed to be guidance only, any interpretative view within this paragraph should be avoided.	We suggest reviewing these paragraphs and if necessary removing the paragraphs relating to operational control from the guidance due to their interpretative nature.
Para 52	The footnote at paragraph 52 states that requirements may differ between IFRS and local GAAP used in <i>European</i> countries. However, ESRS will also apply to entities outside of Europe.	We suggest broadening to non-European local GAAPs as well.
Various paras, e.g. para 133	The phrase “resulting level of accuracy” is used in a few places in the guidance (for example, in paragraph 133). From an external assurance provider perspective, this statement may indicate that entities could provide accuracy percentages or ranges when using estimates, as compared to providing qualitative information. It would be challenging to comment on the “level of accuracy” as the nature of an estimate may inherently limit such commentary.	We suggest providing more details with regard to the meaning and application of the phrase “ <i>resulting level of accuracy</i> ”, including an explanation of what is expected in terms of disclosure when reporting on the “level of accuracy”. We suggest developing a separate FAQ to explain the detail expected for the description of the level of accuracy (for example, when an estimate uses indirect sources).

## IG3 – general comments

Comment	Recommendation
The draft guidance will assist preparers, for example when conducting gap assessment exercises between their current measurement and disclosures and the requirements in ESRS. However, providing lists of datapoints runs the risk of promoting a ‘checklist’ approach to	We recommend EFRAG takes every step to counter this risk, including by adding wording to this guidance to caveat its use in the context of identifying and disclosing material information.

sustainability reporting, rather than supporting a focus on material information about an entity's sustainability-related impacts, risks and opportunities.	
Since the ESRS data points guidance includes both the Excel list and text guidance, it is cumbersome for practitioners to navigate between the files.	Given the ESRS data points Excel file is not standalone, it would be helpful to link the text guidance within the Excel document.
IG3 may become redundant once the XBRL ESRS taxonomy becomes available.	Once the XBRL taxonomy is available, EFRAG should consider if the ESRS data point guidance IG 3 should remain.
It is unclear from the guidance how to apply MDR-M with respective disclosure requirements. Specifically, it is unclear whether it should be applied collectively to all metric-related disclosure requirements in a standard, or on an individual disclosure requirement basis.	This suggests the need for an interpretation to clarify whether MDR-M should be applied individually or collectively to metrics-related disclosure requirements, and if it is to be applied individually, to which specific disclosure requirements. If it is to be applied collectively, the counting of the datapoint should be reviewed.
<p>Appendix B in the Explanatory Note provides statistics on the number of datapoints. Paragraph 3 on page 10 includes a table on Minimum Disclosure Requirements (MDR-PAT&amp;M) per sustainability matter and per PAT. In the text accompanying the table it is referred to "datapoints in relation with Minimum Disclosure Requirements". It is unclear, if the meaning of this sentence is the same as "corresponding Disclosure Requirements" in ESRS 1:13 or "Disclosure Requirements ... provided in the relevant ... ESRS" in ESRS 2:60 and ESRS 2:70. As the interpretation of the sentences existing in ESRS 1 and ESRS 2 is not clear, it is confusing to use a third variation in the wording to describe what appears to be the same relationship.</p> <p>In addition, the text only references ESRS 2 Chapter 4.2, which does not include all requirements related to all the MDRs.</p>	<p>The guidance should use exactly the same language as in the ESRS 1 and ESRS 2 to avoid providing an unintentional interpretation of the wording used in those standards.</p> <p>In addition, the text should reference ESRS 2 Chapter 5 in addition to Chapter 4.2 to cover all MDRs.</p>

## Appendix B —Suggested structure for the guidance

		Reference <sup>1</sup>	Recommendations
Key concepts		Section 2, para 23 & 24 2.1 2.2	<ul style="list-style-type: none"> <li>Add definitions of Impacts, Risks and Opportunities (IROs)</li> <li>Explain relationship between ‘sustainability matters’ and ‘IROs’</li> </ul>
Part 1 Materiality assessment	A Understanding the context	3.1	<ul style="list-style-type: none"> <li>Recognise the role of stakeholders in the materiality assessment process as specified in ESRS 1 <i>General requirements</i>, section 3.1</li> <li>Include explicit references to business model and value chain and content from the value chain guidance on the assessment of IROs in the value chain (2.6)</li> </ul>
	B Identification of the actual and potential IROs related to sustainability matters;	3.2	
	C Assessment and determination of the material IROs and related material sustainability matters	3.3	
	D Reporting	3.4	<ul style="list-style-type: none"> <li>Amend title to ‘Reporting on the materiality assessment process’.</li> </ul>
Part 2 Material information	E Identification of material information	2, para 25 2.3 2.4 2.5	<ul style="list-style-type: none"> <li>Recognise the role of users and their decision making needs in identifying material information as specified in ESRS 1:31(b)</li> <li>Link ‘material matters’ to topical standards (paragraph 43(c))</li> <li>Explain the role of topical standards, Disclosure Requirements and data points to support the identification of material information (paragraphs 46-48)</li> </ul>
	F Disclosure of material information in the sustainability statement		

<sup>1</sup>References are to the relevant paragraph in the draft guidance IG1