

MEMORANDUM OF UNDERSTANDING

dated

12/17/2013

between

International Integrated Reporting Council ('the IIRC')

and

The Sustainability Accounting Standards Board ('SASB')

The IIRC and SASB (each individually a 'Party' and collectively 'the Parties'),

Understanding that:

- Integrated Reporting ('<IR>') is a process that results in communication by an organization, most visibly a periodic integrated report, about value creation over time. An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term;
- The IIRC is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs;
- The IIRC's mission is to create *the* globally accepted International <IR> Framework ('the <IR> Framework') that elicits from organizations material information about their strategy, governance, performance and prospects in a clear, concise and comparable format. The <IR> Framework will underpin and accelerate the evolution of corporate reporting, reflecting developments in financial, governance, management commentary and sustainability reporting. The IIRC will seek to secure the adoption of <IR> by report preparers and gain the recognition of standard setters and investors;
- SASB is a 501(c)3 engaged in the development and dissemination of industry-specific sustainability accounting standards, establishing an understanding of material sustainability issues facing industries and creating sustainability accounting standards suitable for disclosure in standard SEC filings such as the Form 10-K, which are important channels for disclosure of material issues by publicly-listed companies in the USA;

Acknowledging that:

- The IIRC is currently developing the <IR> Framework with the purpose to assist organizations with the process of <IR>. In particular, the <IR> Framework establishes Guiding Principles and Content Elements that govern the overall content of an integrated report, helping organizations determine how best to express their unique value creation story in a meaningful and transparent way;
- The <IR> Framework does not, however, set benchmarks for such things as the quality of an organization's strategy or the level of its performance. Assessing these things is the role of the intended report users based on the information in an organization's integrated report;

- SASB's key stakeholders are publicly traded US corporations, the Securities and Exchange Commission and the investment community, who will benefit from improved environmental, social and governance ('ESG') performance and enhance the competitiveness of US industries;
- SASB's work in promoting disclosure by publicly-listed companies of material sustainability issues represents an important stepping stone towards the practical implementation of the concept of <IR> in the USA.

Considering that:

- The missions of SASB and the IIRC are aligned in serving the public interest, which is served by, *inter alia*, improved ESG performance and communication of related value creation through improved corporate reporting practices;

Recognising that:

- The IIRC and SASB work together with, are supported by and receive governance and technical input from a large number of similar organizations¹;
- Efforts to promote the global development and clarity of corporate reporting frameworks, standards and requirements in ways that drive complementarity, coherence, consistency and comparability will lead to improved efficiency and effectiveness in corporate reporting practices;
- There are areas in which closer cooperation between the IIRC and the SASB would be beneficial to both organizations;

The Parties hereby agree that it is of mutual interest to establish this Memorandum of Understanding ('the MOU') as follows:

Article I

Purpose and Scope

- i) The purpose of the MOU is to articulate the basis and general principles for ongoing cooperation, collaboration, coordination and alignment between the Parties to promote, support and contribute to the realization of their mutual interests.
- ii) The Parties will, to the extent reasonable and practicable, be mutually supportive of each other, exploring means by which the learning, synergies and complementarities between them can be exploited.
- iii) Any activities undertaken further to this MOU are subject to their inclusion in the Parties' respective program of work and shall be carried out in accordance with their respective rules and practices.

Article II

Focus of Cooperation

- i) Subject to resource availability, each Party will take appropriate opportunities to support and profile the work of the other Party.
- ii) Each Party commits to:

¹ Details relating to IIRC governance can be found at: <http://www.theiirc.org/the-iirc/>

Details relating to SASB governance can be found at: <http://www.sasb.org/sasb/board-directors/>

- a) Respect the integrity of the other Party's primary role and collaborate with it to fulfil the Parties' respective primary roles in ways that further their mutual interest. Specifically this means that:
- SASB acknowledges the IIRC as the sole developer of a global <IR> framework, which will, *inter alia*, provide important context for all sustainability reporting standards.
 - The IIRC acknowledges SASB's leading role in the development and dissemination, within the USA, of industry-specific sustainability accounting standards, establishing an understanding of material sustainability issues facing industries and creating sustainability accounting standards suitable for disclosure in standard filings, such as the Form 10-K.
- b) Proactively engage with each other to:
- Communicate about the direction, content and ongoing process to develop their respective frameworks, guidelines and standards;
 - Strive for complementarity and compatibility (to the extent relevant, applicable and practicable) in the ongoing development and maintenance thereof.
- c) Take appropriate opportunities, to the extent reasonable and practicable, to support and profile the work of the other Party.
- d) Work proactively with the other Party to identify ways and means by which the <IR> Framework and SASB standards can be aligned to strengthen corporate reporting and disclosure.
- e) Work proactively with the other Party to promote the practical implementation of <IR> in the USA and the relevance of SASB standards in relation thereto.
- f) Consider opportunities to make USA companies engaged in the IIRC Pilot Program aware of SASB standards and their relevance in the context of <IR>.
- g) Consider opportunities to organize joint events on corporate reporting at international and regional levels.
- h) Facilitate regular, frequent and meaningful exchange of information with the other Party on relevant aspects of their respective activities and other matters of common interest, expressing a common voice where possible.
- i) Explore diverse ways in which to extend and strengthen collaboration with the other Party, in each case on terms to be agreed between the Parties.
- j) Develop, where relevant and appropriate, joint action plans, as required, outlining cooperation on discrete critical issues where the resources of both Parties can be leveraged effectively to achieve common ends in the parties' mutual interest.
- k) Work together with the other Party towards appropriate long-term institutional and governance arrangements that promote the ongoing evolution of corporate reporting on an internationally applicable and accepted basis.
- ii) The Parties shall maintain a schedule of specific financial and other in-kind commitments made between them, which as at the date hereof is as provided in Appendix A hereto. The schedule shall be updated as appropriate with such additions and modifications as may be agreed between the parties subsequent to signature of this MOU.

Article III

Status of the MOU

- i) This MOU represents an expression of common intent. For legal purposes nothing in this MOU shall be construed as creating a joint venture, an agency relationship or a legal partnership between the Parties. No provision of this MOU shall be construed so as to interfere with the respective decision-making processes of the Parties with regard to their own respective work and operations.
- ii) Neither Party shall have any right, power or authority to create any obligation, express or implied, on behalf of the other.

Article IV

Consultations

- i) Each Party undertakes to enter promptly into consultations at the request of the other Party with respect to any matter arising in relation to, or further to, this MOU.
- ii) The Parties shall endeavor to resolve real or potential conflicts of interest promptly and in good faith.

Article V

Institutional Arrangements

- i) Subject to maintenance of the constitutional arrangements of the IIRC prevailing as at the date hereof and approval of appointments in accordance with IIRC policies from time to time applicable, SASB will be represented on the IIRC's Council. It may be represented on other IIRC bodies as agreed from time to time.
- ii) The Parties will discuss whether, to what extent and in what capacity the IIRC will be represented on SASB bodies.

Article VI

Focal Points

- i) Each Party will appoint a staff member to act as the focal point for matters arising in relation to, or further to, this MOU and facilitate the exchange of information between the Parties on matters of common interest.

ii) As at the date hereof, the Parties' designated focal points are as follows:

	For the IIRC	For SASB
Name:	Andrew Smith	Jerome Lavigne-Delville
Title:	Chief Operating Officer	Director of Standards Development
Telephone:	+1 20 7504 2572	+1 415 830-9220 Ext.104
Email:	andrew.smith@theiirc.org	jerome.lavignedelville@sasb.org
Postal address:	10 Lincoln's Inn Fields London WC2A 3BP United Kingdom	75 Broadway Suite 202 San Francisco, CA 94111 United States of America

- iii) Either Party may at any time revise its designated focal point by notice to the other.
- iv) Any notice required to be provided hereunder shall be deemed duly given if made by either party to the other party's designated focal point in writing, which for the purposes hereof shall include by email.

Article VII

Publicity and External Communications

- i) Each Party may make public reference to the existence of this MOU as it thinks relevant and appropriate, provided that each Party will obtain the approval of the other Party for the contents of any press release relating to the terms of this MOU prior to issue of such press release.
- ii) Neither Party shall, in any communication to third parties, purport to represent the other Party's views or position on any matter, including any activity undertaken further to this MOU, without the prior agreement of the other Party.
- iii) Any communication to third parties by either Party relating to any activity undertaken further to this MOU and referencing the other Party's collaboration in such activity, shall be subject to the prior agreement of the other Party, which shall not be unreasonably withheld.

Article VIII

Intellectual Property

- i) Each Party will share with the other such concepts, ideas and other facets of its intellectual property as are relevant and appropriate to advance the collaborative ends of this MOU, provided that neither Party shall seek to benefit unduly in any way from the other Party's intellectual property and each Party will respect the intellectual property rights of the other by reference to the latter's related policies and procedures and in accordance with relevant laws. All intellectual property rights in any materials, documents, software or other items created by or licensed to either Party will remain vested in such Party (or its licensors).
- ii) The Parties will agree in writing on the extent to which, by reference to their respective policies and procedures and in accordance with relevant laws, each will enjoy intellectual property rights relating to new materials, documents,

software or other items created by the Parties, individually or collectively, as a result of collaboration with each other further to this MOU.

- iii) Nothing in this MOU shall be construed as permitting either Party to use any logo or trademark of the other Party without obtaining the other Party's prior written consent.

Article IX
Confidentiality

- i) Each Party agrees to keep confidential all information of the other Party which is not in the public domain, or by its nature would be expected to be confidential.

Article X
Costs

- i) Nothing under this MOU shall be taken to represent a commitment of funds on the part of either Party and, unless otherwise agreed between the Parties in writing, each Party will bear its own costs relating to activities undertaken further to this MOU.

Article XI
Validity, Revisions, Assignment and Termination

- i) This MOU shall be effective once signed by both Parties until 31 December 2015 inclusive. Its validity may be extended by agreement in writing between the Parties.
- ii) This MOU may be terminated by either Party for reasonable cause upon three months' prior written notice to the other Party, such notice to provide the grounds for termination.
- iii) Ongoing collaborative activities undertaken on the basis of joint work plans developed by the Parties will continue to the extent required for their completion, unless otherwise terminated by separate agreement between the Parties to such effect.
- iv) Any revisions to this MOU shall be agreed in writing between the Parties.
- v) Neither Party may assign or otherwise transfer its rights or obligations hereunder, or any part thereof, to any third party without the prior written approval of the other Party.

Article XII

Disputes

- i) The Parties will endeavor to resolve any dispute as between them relating to the interpretation of this MOU, or any matter covered by it, through negotiation and constructive discussion between senior personnel, failing which it shall be submitted for arbitration to the International Centre for Dispute Resolution.

Signed in two originals.

On behalf of the IIRC

On behalf of SASB



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Paul Druckman

Chief Executive Officer

Date:19/12/13.....



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Jean Rogers, PhD PE

Founder and Executive Director

Date:12/18/13.....



Appendix A

Schedule of specific commitments

From SASB to the IIRC

Professor Bob Eccles (Chairman - SASB): Membership of the IIRC Council.