

EIT's 2018 Call for Knowledge and Innovation Communities (KICs) Proposals - ANNEXES

- Urban Mobility
and
- Added-value Manufacturing

Deadline: 12 July 2018 (17:00 Brussels local time)

European Institute of Innovation and Technology (EIT)

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ANNEXES

Documents for information

- a. Templates to submit a Proposal
 - i. Template A - DoH
 - ii. Template B1 - Proposal
 - iii. Template B2 – Estimated financial resources
 - iv. Template B3 – Elements of strategy
 - v. Template C – Motivation and commitment letter
- b. SIA thematic factsheets
- c. Model Framework Partnership Agreement (and its Annexes)
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- g. List of EIT Core Key Performance Indicators (KPIs)

EIT's 2018 Call for Knowledge and Innovation Communities (KICs) Proposals

- Form Declaration of honour on exclusion criteria (Part A)
- Technical proposal (Part B)
- Motivation and commitment declaration (Part C)

Version 1.0
12 January 2018

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PART A – Form Declaration of honour on exclusion criteria

EIT 2018 Call for KIC proposals

Instructions - "Form Declaration of honour on exclusion criteria" has to be filled in by **each partner** and the coordinator. **The coordinator** will be responsible for collecting and merging all partners' documents in one PDF ("portable document format", compatible with Adobe version 5 or higher, with embedded fonts) to be uploaded in the system. Other file formats will not be accepted by the system. There is an overall limit of 10 Mbyte to the size of the file.

Example, not to complete

PART A – Form Declaration of honour on exclusion criteria

EIT 2018 Call for KIC proposals

Declaration of honour on exclusion criteria

The undersigned [*insert name of the signatory of this form*], representing:

(only for natural persons) himself or herself	(only for legal persons) the following legal person:
ID or passport number: (‘the person’)	Full official name: Official legal form: Statutory registration number: Full official address: VAT registration number: (‘the person’)

I – SITUATION OF EXCLUSION CONCERNING THE PERSON

➤ declares that the above-mentioned person is in one of the following situations:	YES	NO
a) it is bankrupt, subject to insolvency or winding up procedures, its assets are being administered by a liquidator or by a court, it is in an arrangement with creditors, its business activities are suspended or it is in any analogous situation arising from a similar procedure provided for under national legislation or regulations;	<input type="checkbox"/>	<input type="checkbox"/>
b) it has been established by a final judgement or a final administrative decision that the person is in breach of its obligations relating to the payment of taxes or social security contributions in accordance with the law of the country in which it is established, with those of the country in which the contracting authority is located or those of the country of the performance of the contract;	<input type="checkbox"/>	<input type="checkbox"/>
c) it has been established by a final judgement or a final administrative decision that the person is guilty of grave professional misconduct by having violated applicable laws or regulations or ethical standards of the profession to which the person belongs, or by having engaged in any wrongful conduct which has an impact on its professional credibility where such conduct denotes wrongful intent or gross negligence, including, in particular, any of the following:		
(i) fraudulently or negligently misrepresenting information required for the verification of the absence of grounds for exclusion or the fulfilment of selection criteria or in the performance of a contract;	<input type="checkbox"/>	<input type="checkbox"/>
(ii) entering into agreement with other persons with the aim of distorting competition;	<input type="checkbox"/>	<input type="checkbox"/>
(iii) violating intellectual property rights;	<input type="checkbox"/>	<input type="checkbox"/>
(iv) attempting to influence the decision-making process of the contracting authority during the award procedure;	<input type="checkbox"/>	<input type="checkbox"/>
(v) attempting to obtain confidential information that may confer upon it undue advantages in the award procedure;	<input type="checkbox"/>	<input type="checkbox"/>
d) it has been established by a final judgement that the person is guilty of the following:		
(i) fraud, within the meaning of Article 1 of the Convention on the protection of the European Communities' financial interests, drawn up by the Council Act of 26 July 1995;	<input type="checkbox"/>	<input type="checkbox"/>

PART A – Form Declaration of honour on exclusion criteria

EIT 2018 Call for KIC proposals

(ii) corruption, as defined in Article 3 of the Convention on the fight against corruption involving officials of the European Communities or officials of EU Member States, drawn up by the Council Act of 26 May 1997, and in Article 2(1) of Council Framework Decision 2003/568/JHA, as well as corruption as defined in the legal provisions of the country where the contracting authority is located, the country in which the person is established or the country of the performance of the contract;	<input type="checkbox"/>	<input type="checkbox"/>
(iii) participation in a criminal organisation, as defined in Article 2 of Council Framework Decision 2008/841/JHA;	<input type="checkbox"/>	<input type="checkbox"/>
(iv) money laundering or terrorist financing, as defined in Article 1 of Directive 2005/60/EC of the European Parliament and of the Council;	<input type="checkbox"/>	<input type="checkbox"/>
(v) terrorist-related offences or offences linked to terrorist activities, as defined in Articles 1 and 3 of Council Framework Decision 2002/475/JHA, respectively, or inciting, aiding, abetting or attempting to commit such offences, as referred to in Article 4 of that Decision;	<input type="checkbox"/>	<input type="checkbox"/>
(vi) child labour or other forms of trafficking in human beings as defined in Article 2 of Directive 2011/36/EU of the European Parliament and of the Council;	<input type="checkbox"/>	<input type="checkbox"/>
e) the person has shown significant deficiencies in complying with the main obligations in the performance of a contract financed by the Union's budget, which has led to its early termination or to the application of liquidated damages or other contractual penalties, or which has been discovered following checks, audits or investigations by an Authorising Officer, OLAF or the Court of Auditors;	<input type="checkbox"/>	<input type="checkbox"/>
f) it has been established by a final judgment or final administrative decision that the person has committed an irregularity within the meaning of Article 1(2) of Council Regulation (EC, Euratom) No 2988/95;	<input type="checkbox"/>	<input type="checkbox"/>
g) for the situations of grave professional misconduct, fraud, corruption, other criminal offences, significant deficiencies in the performance of the contract or irregularity, the applicant is subject to: i.facts established in the context of audits or investigations carried out by the Court of Auditors, OLAF or internal audit, or any other check, audit or control performed under the responsibility of an authorising officer of an EU institution, of a European office or of an EU agency or body; ii.non-final administrative decisions which may include disciplinary measures taken by the competent supervisory body responsible for the verification of the application of standards of professional ethics; iii.decisions of the ECB, the EIB, the European Investment Fund or international organisations; iv.decisions of the Commission relating to the infringement of the Union's competition rules or of a national competent authority relating to the infringement of Union or national competition law; or v.decisions of exclusion by an authorising officer of an EU institution, of a European office or of an EU agency or body.	<input type="checkbox"/>	<input type="checkbox"/>

II – SITUATIONS OF EXCLUSION CONCERNING NATURAL PERSONS WITH POWER OF REPRESENTATION, DECISION-MAKING OR CONTROL OVER THE LEGAL PERSON

PART A – Form Declaration of honour on exclusion criteria

EIT 2018 Call for KIC proposals

Not applicable to natural persons, Member States and local authorities

➤ declares that a natural person who is a member of the administrative, management or supervisory body of the above-mentioned legal person, or who has powers of representation, decision or control with regard to the above-mentioned legal person (this covers company directors, members of management or supervisory bodies, and cases where one natural person holds a majority of shares) is in one of the following situations:	YES	NO	N/A
Situation (c) above (grave professional misconduct)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Situation (d) above (fraud, corruption or other criminal offence)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Situation (e) above (significant deficiencies in performance of a contract)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Situation (f) above (irregularity)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

III – SITUATIONS OF EXCLUSION CONCERNING NATURAL OR LEGAL PERSONS ASSUMING UNLIMITED LIABILITY FOR THE DEBTS OF THE LEGAL PERSON

➤ declares that a natural or legal person that assumes unlimited liability for the debts of the above-mentioned legal person is in one of the following situations:	YES	NO	N/A
Situation (a) above (bankruptcy)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Situation (b) above (breach in payment of taxes or social security contributions)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

IV – GROUNDS FOR REJECTION FROM THIS PROCEDURE

➤ declares that the above-mentioned person:	YES	NO
h) has distorted competition by being previously involved in the preparation of the call for proposals' documents for this procedure.	<input type="checkbox"/>	<input type="checkbox"/>

PART A – Form Declaration of honour on exclusion criteria

EIT 2018 Call for KIC proposals

REMEDIAL MEASURES

If the person declares one of the situations of exclusion listed above, it should indicate the measures it has taken to remedy the exclusion situation, thus demonstrating its reliability. They may include e.g. technical, organisational and personnel measures to prevent further occurrence, compensation of damage or payment of fines. The relevant documentary evidence which appropriately illustrates the remedial measures taken should be provided in annex to this declaration. This does not apply for the situations referred in point (d) of this declaration.

EVIDENCE UPON REQUEST

Upon request and within the time limit set by the contracting authority the person shall provide information on the persons that are members of the administrative, management or supervisory body, as well as the following evidence concerning the person or the natural or legal persons which assume unlimited liability for the debt of the person:

For situations described in (a), (c), (d) or (f), production of a recent extract from the judicial record is required or, failing that, an equivalent document recently issued by a judicial or administrative authority in the country of establishment of the person showing that those requirements are satisfied.

For the situation described in point (a) or (b), production of recent certificates issued by the competent authorities of the State concerned are required. These documents must provide evidence covering all taxes and social security contributions for which the person is liable, including for example, VAT, income tax (natural persons only), company tax (legal persons only) and social security contributions. Where any document described above is not issued in the country concerned, it may be replaced by a sworn statement made before a judicial authority or notary or, failing that, a solemn statement made before an administrative authority or a qualified professional body in its country of establishment.

The person is not required to submit the evidence if it has already been submitted for another procedure. The documents must have been issued no more than one year before the date of their request by the EIT and must still be valid at that date.

The signatory declares that the person has already provided the documentary evidence for a previous procedure and confirms that there has been no change in its situation:

Document	Full reference to previous procedure
<i>Insert as many lines as necessary.</i>	

The above-mentioned person may be subject to rejection from this procedure and to administrative sanctions (exclusion or financial penalty) if any of the declarations or information provided as a condition for participating in this procedure prove to be false.

Full name

Date

Signature

PART B - Form B1 Proposal

EIT 2018 Call for KIC proposals

Instructions to Form B1

Please follow the structure of this template when preparing your proposal. It has been designed to ensure that the important aspects of proposal are presented in a way that will enable to make an effective assessment against the evaluation criteria. Sections 1, 2 and 3 each correspond to an evaluation criterion.

The minimum font size allowed is 11 points, Calibri or Calibri light. All margins (top, bottom, left, right) should be at least 15 mm (not including any footers or headers). A maximum length of this file may not exceed 50 pages. All tables must be included within this limit. Also a maximum length is specified for each section. The applicants must keep the proposal within these limits.

- *The applicant must use exclusively PDF (“portable document format”, compatible with Adobe version 5 or higher, with embedded fonts). Other file formats will not be accepted by the system. There is an overall limit of 10 Mbyte to the size for a file. The name of a file may only contain alphanumeric characters. Special characters and spaces must be avoided.*
- *Any hyperlinks to other documents, embedded material, and any other documents (supporting documentation, reports, audio, video, multimedia, etc.) sent electronically or by post, will be disregarded.*

Example, not to be completed

1. STRATEGY *maximum 20 pages*

1.1 STRATEGIC APPROACH

- An applicant in this part should describe the KIC's vision, mission statement, strategy and its strategic objectives designed according to the SMART methodology (simple, measurable, achievable, relevant and time dependent). The specificity and the value added of the proposed strategic approach should be demonstrated by an applicant.
- An applicant in this part should present the innovativeness and relevance of its key identified focus within the theme and demonstrate how its activities (education, research, and business) are integrated in the entrepreneurship-driven Knowledge Triangle to foster innovation.
- The multidisciplinary nature of a potential KIC should be reflected in its strategy (conducive to not only economic but also societal impact). Applicants should pay attention to the presentation and justification on how they will apply the KIC model with a focus on integrating the Knowledge Triangle and fostering entrepreneurship and innovation.

1.2 KIC PARTNERSHIP INNOVATION POTENTIAL

- Innovation potential of the partnership to implement the KIC's strategy, demonstrated by the combined strength and quality of the partners (including SMEs), forming a diverse, balanced, collaborative and world-class partnership must be shown.
- An applicant should demonstrate how the combined strength of the partners is greater than the sum of the strengths of the individual partners.
- As a KIC is expected to expand the partnerships to new partners, an expansion plan should be also presented.

1.3 SYNERGIES

- Applicant must demonstrate added-value and readiness to establish concrete synergies and complementarities with EU and other relevant public, private and third sector initiatives. An applicant must demonstrate how the established synergies and complementarities will help positioning of the KIC vis-à-vis other relevant initiatives at EU and other levels.

2. OPERATIONS *maximum 10 pages*

2.1. OPERATIONS

- The requirements and quality of the KIC leadership team profiles (management and governance teams) must be demonstrated including the effectiveness of the operational structure covering selection and connectivity of co-location centres and demonstration how the Knowledge Triangle Integration approach will be implemented on the operational level.
- An applicant should briefly describe the KIC management model (both on CLCs and KIC's level) for implementing its strategy following the good governance principles defined by EIT. An applicant should present a KIC's operational model outlining its effectiveness, including Knowledge Triangle Integration within and connectivity among co-location centres.

2.2. KIC BUSINESS MODEL AND FINANCIAL PLAN

- Feasibility of the KIC's business model and financial plan (including EIT and non-EIT financial resources) for attracting financial resources and achieving financial sustainability in the long-term and a plan for the management and exploitation of intellectual property supporting the KIC's business model must be presented by applicants.
- An applicant in this part should present how its business model and multi-annual financial plan contributes to achieving market targets and strategic milestones. The presentation of the cash-flow including EIT's funding and commitment/ investments of partners and other non-EIT resources should be demonstrated. The approach for achieving financial sustainability in the medium to long-term with a progressive phasing out the EIT funding should be included.

3. IMPACT *maximum 20 pages*

3.1 IMPACT AND KIC SCOREBOARD

- An applicant should describe the expected concrete and measurable pan-European outcomes and impacts that it plans to achieve in the short, mid and long-term on the societal challenge, human capital, job creation and economic growth. Its relevance should be demonstrated in the context of the KIC's strategy, the EIT's Strategic Innovation Agenda and the Horizon 2020 objectives. Also tools for measuring outcomes and impact should be indicated (sources of verification).
- The main expected outputs/outcomes should be summarized as targets per year in the form of Key Performance Indicators (KPIs) included in a KIC Scoreboard consistent with the KIC's Strategic approach, and detail contribution to the EIT Core KPIs following the table format.

KPIs	Unit	2020	2021	2022	2023-2026	TOTAL
EIT Core KPIs						
EITN01						
EITN02						
EITN03						
EITN04						
EITN05						
EITN06						
EITN07						
EITN08						
EITN09						
EITN10						
EITN11						
KIC's specific KPIs (results/outcome level)						
[to be defined by applicant]						
[to be defined by applicant]						
...						
...						
KIC's other key operational KPIs (for example covering Knowledge Triangle Integration, CLCs, outreach and dissemination, financial sustainability)						
[to be defined by applicant]						
[to be defined by applicant]						
...						
...						

3.2 DISSEMINATION OF RESULTS AND COMMUNICATION

- An applicant should present key goals and assumptions on the dissemination plans for KIC results, including sharing good practices within, between and beyond the KICs, across EU Member States, regions and institutions to ensure a widening of the reach of the EIT and increase of its impact. The communication plan should cover also the dissemination of results from the KIC portfolio of activities.
- The relevance of the KIC communication strategy including the contribution to building the EIT brand identity must be shown.

SIGNATURE OF THE PROPOSAL BY THE

AUTHORISED LEGAL REPRESENTATIVE OF THE COORDINATOR

Date and Place

Signature

Example, not to complete

PART B – Form B2 Estimated Financial Resources

EIT 2018 Call for KIC proposals

Sources of funding (in million EUR)	2020	2021	2022	2023 - 2026	TOTAL
EIT funding					
NON-EIT funding of which:					
1) Overall partners' contribution					
Partner #1					
Partner #2					
...					
2) Other sources					
TOTAL					

PART B - Form B3 Proposal

Elements of Strategy	Description
Vision	<i>KIC proposal vision in one sentence (max 30 words)</i>
Mission	<i>KIC proposal mission in one sentence (max 30 words)</i>
Strategic Objectives	<p><i>Maximum 5 Strategic Objective (SO) from the KIC proposal (max. 300 words in total)</i></p> <p><i>SO1.</i></p> <p><i>SO2.</i></p> <p><i>SO3.</i></p> <p><i>SO4.</i></p> <p><i>SO5.</i></p>
Activities per	<i>KIC proposal list of 3-5 activities to reach each Strategic Objective including KPIs for each activity. Example:</i>



Strategic Objective and related KPIs	<i># Strategic Objective</i>	<i># Activity and description</i>	<i>Contribution to EIT Core KPIs</i>	<i>KIC proposal specific KPIs</i>
	<i>SO1</i>	<i>A.1..... (max. 15 words)</i>	<i>KPI reference: #</i>	<i>KPI name: #</i>

Example, not to complete

PART C – Motivation and Commitment Declaration

EIT 2018 Call for KIC proposals

Instructions

Each partner will submit a declaration (maximum two pages) containing:

- 1. Its motivation to join the KIC;*
- 2. Its added value to the KIC;*
- 3. Its commitment towards the KIC (including financial and non-financial commitment);*
- 4. Information about its linked third parties and affiliated partners to be involved in the implementation of KIC if the proposal is successful.*

The minimum font size allowed is 11 points, Calibri or Calibri Light. All margins (top, bottom, left and right) should be at least 15 mm (not including any footers or headers).

This document must be signed by the authorised legal representative of the partner's organisation.

***The coordinator** will be responsible for merging all partners' documents in one PDF ("portable document format", compatible with Adobe version 5 or higher, with embedded fonts). Other file formats will not be accepted by the system. There is an overall limit of 10 Mbyte to the size of the file.*

In addition, the Coordinator should attach to its Motivation and Commitment letter the information to evidence its operational capacity.

1. The information about requested projects' implementation experience should be structured in the table format following the below template.

Ref Number	Title of the project			Starting date	the final implementation date
Budget total (in EUR)	Of which budget allocated to the Coordinator (in EUR) ¹	Funding institutions	Role in the project		
Short description of the project (objectives, scope and results)					
List of key partners from academia (providing the country of origin of the partners)		List of key partners from research sector (providing the country of origin of the partners)		List of key partners from business (providing the country of origin of the partners)	

2. CVs of the key members of the Interim Management Team should be presented according to the Europass format ²:

- a. CEO (Chief Executive Officer),
- b. COO (Chief Operational Officer).

¹ In case the coordination of the reference project the total budget should be the same

² <https://europass.cedefop.europa.eu/en/documents/curriculum-vitae/templates-instructions>

The Coordinator is invited to present in the Motivation and Commitment letter the Self-compliance check table of the proposed members of the Interim Management Team:

	YES/NO	Number of years and indication of <u>the relevant</u> experience or education
CEO		
at least 7 years of working experience relevant to the position		
7 years of experience in the Call's thematic field		
at least 3 years of working experience in an international environment		
level of education which corresponds to completed university studies of at least four years attested by a diploma, recognised as equivalent by the relevant EU Member State authorities		
COO		
at least 7 years of working experience relevant to the position		
5 years of experience in the Call's thematic field		
at least 3 years of working experience in an international environment		
level of education which corresponds to completed university studies of at least four years attested by a diploma, recognised as equivalent by the relevant EU Member State authorities		

SIA thematic factsheet on Added-Value Manufacturing

EIT Strategic Innovation Agenda (SIA) 2014 – 2020

EIT 2018 Call for KIC proposals

DECISION No 1312/2013/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2013 on the Strategic Innovation Agenda of the European Institute of Innovation and Technology (EIT): the contribution of the EIT to a more innovative Europe (Annex – Factsheet 4) (L 347/918 Official Journal of the European Union 20.12.2013 EN)

European Institute of Innovation and Technology (EIT)

April 2017

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1. The challenge

One of the major challenges defined in the European Innovation Agenda and which also has to be addressed within the framework of Horizon 2020, is the competitiveness of Union Member States on the global market. One of the sectors where the problem is particularly urgent is manufacturing.

Manufacturing in European countries is under considerable strain: increased competition from other developed economies, low cost production in developing countries, and scarcity of raw materials are putting pressure on the European manufacturing companies. Parallel to this, there are further factors driving change in the manufacturing sector: new market and societal needs, rapid advances in science and technology, environmental and sustainability requirements.

One possible answer to address these challenges is the development of a "high value (or added-value) manufacturing" industry. This concept defines an integrated system including the whole cycle of production, distribution and end-of life treatment of goods and products/services applying a customer/user driven innovation system. Rather than competing primarily on cost, added value manufacturers deliver value by delivering product/service innovation, establishing process excellence, achieving high brand recognition and/or contributing to a sustainable society.

The manufacturing sector is of considerable economic, social and environmental significance. In 2010 the manufacturing sector accounted for 15,4 % of the Union's GDP and over 33 million jobs. This figure increases to 37 % if power generation, construction, and associated business services are included. At the same time, manufacturing also contributed to about 25 % of the waste, 23 % of greenhouse gases and 26 % of NOx generated in Europe.

Bearing this in mind, it is quite clear that the overall objectives in the field of manufacturing must be increased competitiveness of Europe within the global market as well as the development of more sustainable and environment friendly manufacturing processes.

2. Relevance and impact

A KIC on added-value manufacturing will help meeting Horizon 2020 priorities in terms of advanced manufacturing and processing, and its specific objective of "transforming today's industrial forms of production towards more knowledge intensive, sustainable, low-emission, trans-sectoral manufacturing and processing technologies, to realise innovative products, processes and services".

It will be able to mobilise investment and long-term commitment from the business sector, and to expand and create new markets. It could have in particular a function in supporting the actions defined in the Strategic Research Agenda of the European Technology Platform (ETP) "Manufuture":

- Eco-design;
- Development of added-value products and services;
- Development of new business models;
- Development of advanced manufacturing engineering processes;
- New emerging manufacturing sciences and technologies;
- Transformation of existing research and education infrastructures to support world-class manufacturing.

Whilst supporting the development of new products, services, business models and manufacturing processes, emphasis should be put on sustainability and eco-innovation, with the reduction of resource and energy inefficiencies, maximising positive environmental impacts, but also contributing to strengthening positive economic and social impacts. Concretely, such clean approach will imply energy and material efficient processes and machinery, the use of renewable power sources, and/or the employment of smart energy management, leading thus to significant reductions of waste and emissions. By contributing to the development and deployment of more sustainable, resource-efficient and competitive manufacturing, a KIC would be able to trigger industry and consumers behavioural change and to create systemic impact.

A KIC on added-value manufacturing could also have a very important role and impact at regional level: Fostering the creation of interconnected regional clusters with local transfers and collaboration, developing competences in high-end manufacturing technologies, and developing excellence in manufacturing technologies would be the key missions of a KIC at regional level. In this connection, specific attention could be given to those regions more affected by declining manufacturing capacity as well as to SMEs.

One of the major challenges for reaching the above aims is the availability of a highly qualified workforce which is sufficient in quality as well as in numbers. A KIC would therefore have a very important role to play in re-shaping the education landscape in this field. By creating closer links between skills demanders and education providers, a KIC would promote joint post-graduate degrees, post-graduate professional training and industrial "real-life" courses.

Capacity-building will be also a central element of a KIC in added-value manufacturing. This concerns not only the supply of high qualified work force, but also the possibility of establishing the KIC as a forum for interaction and promotion of cross-disciplinary skills and competences, particularly for the combination of multiple key enabling technologies as proposed by the High-Level Group on Key Enabling Technologies (KETs)¹.

A KIC on this area will have the potential to bring together different actors and stakeholders in this very transdisciplinary sector, including key upstream and downstream parts of the value chain. This includes processing industries (e.g. steel or chemicals) which are immediately linked with the value chain for added-value manufacturing.

3. Synergies and Complementarities with existing initiatives

A KIC as described above would be complementary to a number of other Union initiatives, as well as at the level of Member States and industry associations.

In addition to the already mentioned ETP "Manufuture", it could also establish links with the ETPs on Smart Systems Integration and the Joint Technology Initiative (JTI) on Embedded Computing Systems. The Public Private Partnership (PPP) on Factories of the Future and others potentially to be launched under Horizon 2020 within this thematic area as well as a number of Framework Programmes (FP) projects would also be natural co-operation partners. The KIC would take into account the research priorities and action plans defined in the framework of the ETPs and the research work carried out so far by the JTI, PPP and FP projects in this area.

Similarly, it would build on eco-innovation market replication projects, under the Competitiveness and Innovation Programme (CIP), where experience in the area of more sustainable manufacturing has been developed. Such experience will continue with Horizon 2020 namely in the context of the Climate action, environment, resource efficiency and raw materials societal challenges. Synergies may also be considered with the Environmental Technologies Verification (ETV) pilot programme, which aims at promoting high value environmental technologies by providing a third-party validation of their performance.

An added-value manufacturing KIC could be also a connection point for synergy effects with the European Technology Research Council, which the High-Level Group on Key Enabling Technologies recommends for promoting excellence in technological research and innovation.

A KIC in this area would be complementary to these activities since it would focus on transdisciplinary activities within the knowledge triangle with a strong focus on entrepreneurial education.

¹ 1) http://ec.europa.eu/enterprise/sectors/ict/files/kets/hlg_report_final_en.pdf

4. Conclusion

A KIC which focuses on the integration of all stakeholders concerned with manufacturing and which puts a strong focus on re-shaping the education agenda in this field would be well-suited to address the challenges outlined above.

It also meets the criteria put forward for the selection of KIC themes in the SIA:

- It addresses a major economic and societal relevant challenge Europe is facing (to increase the competitiveness of the Member States on the global market and contribute to the development of a more sustainable and environmentally-friendly manufacturing process), and contributes to the delivery of the Europe 2020 agenda of smart and sustainable growth.
- This KIC focus is aligned with the priorities defined in Horizon 2020 and complementary with other Union activities in the area.
- It can build on a solid industrial sector which will be attracted by a KIC.
- It offers possibilities for various emerging products, services and business models, and – above all – it will be well-suited to address the urgent need for qualified people in this sector.
- It takes a systemic approach and thus requires transdisciplinary work and the development of new education across the boundaries of disciplines.
- It will bring together a critical mass of excellent research, innovation, education and training stakeholders along the value chain, which would otherwise not unite.
- It will address the European paradox, since it will capitalise on the Union's strong research base and find new innovative approaches to ensure a more competitive, sustainable and resource-efficient manufacturing sector.

SIA thematic factsheet on Urban Mobility

EIT Strategic Innovation Agenda (SIA) 2014 – 2020

EIT 2018 Call for KIC proposals

DECISION No 1312/2013/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2013 on the Strategic Innovation Agenda of the European Institute of Innovation and Technology (EIT): the contribution of the EIT to a more innovative Europe (Annex – Factsheet 5) (L 347/918 Official Journal of the European Union 20.12.2013 EN)

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1. The challenge

The theme of smart, green and integrated transport has been identified as one of the major societal challenges which will be addressed within the framework of Horizon 2020. The 2011 Transport White Paper further reinforces the importance of taking action in this domain during the next decade. Urban mobility is a particularly challenging task. It addresses a number of topics such as transport (including new mobility concepts, transport organisation, logistics, transport systems safety and security), environmental issues (reduction of greenhouse gases, air pollution and noise), urban planning (new concepts for bringing work and living closer together), and has an important impact both at the economic and social levels (new business creation, employment, social inclusion, housing and location strategies). The overarching aim is to improve the quality of life of European citizens who – in increasing numbers – live in large urban conglomerations where much of Europe's economic performance is generated¹.

Sustainable urban mobility can only be achieved if breakthrough innovations leading to greener, more inclusive, safer and smarter solutions are found. Failing to achieve this will – in the long run - result in high societal, ecological, and economic costs. However, new innovative mobility concepts – in particular when individual means of transportation are to be replaced by public and collective means of transport – should be accepted by citizens. Bringing about behavioural changes with no disadvantages for the quality of life and the cost of living in urban areas will be one of the great challenges to be addressed in this area.

2. Relevance and impact

The key objective of a KIC on urban mobility will be to ensure a greener, more inclusive, safer and smarter urban mobility system.

As already outlined above, the theme is highly relevant from a societal and public policy point of view. It also is highly relevant from a socio-economic perspective since it involves important economic sectors in GDP and employment terms, such as the automotive or the construction sectors. Urban mobility is, in addition, linked with environmental protection strategies and fully embedded in policies of social inclusion, location, housing and urban design.

A KIC on urban mobility is both in line with the priorities defined in Horizon 2020 and with Europe 2020 strategy objectives of achieving a smarter, more sustainable, low carbon and inclusive urban development. A KIC in this thematic area could contribute to each of

¹ More than 70 % of Europeans live in urban areas, which represent more than 25 % of the Union territory. Around 85 % of the Union's GDP is generated in urban areas. Urbanisation is expected to rise in Europe to some 83 % by 2050.

Europe 2020 strategy objectives by, for example, the promotion of ecoefficient solutions, intelligent ICT schemes for traffic management, and provision of more efficient and affordable transport services.

In fact, since urban mobility is by nature systemic, a KIC on this area could offer many possibilities for innovation along the innovation chain, such as the development of multi-modal transport systems, and smarter and more sustainable transport solutions.

A KIC on urban mobility draws on a solid technological and industrial base and offers a potential for new products and services², in particular in the fields of sustainable planning and eco-industries.

Furthermore, the development of innovative urban mobility models will also benefit from the strong policy attention and support that this thematic priority profits from. In addition, these innovative urban models can have a global impact if they are transferred as best practices to the massively growing urban conglomerations in other parts of the world, especially in Africa, Asia and Latin America.

A KIC in this area will put urban mobility and urban transport planning in the wider context of sustainable urban planning and spatial development at local and regional level. The KIC would thus have the advantage of working in a multi-disciplinary and cross-sectoral field and of contributing to overcome the current levels of organisational fragmentation the sector faces. It would create the opportunity to establish a closer cooperation between public authorities (mainly at local, regional levels), local associations, and the private sector (such as developers and infrastructure actors), research institutes and universities (integrating the knowledge triangle).

Bringing together world-class partners in new configurations will give the KIC on urban mobility the possibility of optimising existing resources and exploit the business opportunities created through these new value-chains.

The KIC on Urban Mobility will focus on those activities of the innovation triangle which can benefit from additional Union support specifically via the EIT. In reality, the major added value of a KIC in this area will be its role in integrating the three strands of the knowledge triangle and in bringing systemic change in the way the innovation players work together. Likewise, KIC focus

² Some examples of new potential markets: new services for travellers, maintenance, and management of traffic movements and road congestion; new applications in vehicles; immersive communication services to support communication and avoid travelling (JRC 65426 EN).

on people-driven innovation, which puts students, researchers and entrepreneurs at the heart of KIC efforts, will be fundamental to address the challenges outlined above. Consequently, there will be a strong emphasis on education/training, entrepreneurship and deployment of results, e.g. developing skills and knowledge of urban transport professionals in local and regional administrations (life-long learning / staff exchange programmes / professional training), proposing specific higher education programmes in Urban Mobility (summer schools / exchange schemes), taking innovative transport concepts successfully to the market (support for spin-offs and start-ups from universities and research institutions, etc.).

Moreover, the concept of co-location could be strengthened within a KIC focussing on this theme, since naturally this thematic area has a strong local and regional dimension.

3. Synergies and Complementarities with existing initiatives

Mobility related issues are strongly supported by many Union initiatives. The Union is fully engaged in this field.

Links with other Union activities exist and will be enhanced. A KIC on urban mobility will take into account the actions developed in the framework of the Action Plan on Urban Mobility and the Intelligent Transport System Action Plan.

It will, in particular, co-operate with the planned European initiatives on smart cities and communities, encompassing energy efficiency, ICT and urban transport.

A KIC would, in particular, create complementarity in educating key actors, but also in providing a structured network of practitioners well placed to identify framework conditions and best practise on policy and regulatory issues having an impact on the sector.

Coordination is also needed with the Joint Programming Initiative "Urban Europe", which will pool national research efforts to transform urban areas to centres of innovation and technology, realise eco-friendly and intelligent intrainterurban transport logistic systems, reduce the ecological footprint and enhance climate neutrality. A KIC in this area will speed up and foster the exploitation of excellent public research pooled together by these JPIs, and thereby address fragmentation in the innovation landscape.

The CIVITAS initiative which supports demonstration and research projects to implement innovative measures in clean urban transport, and the European Industrial Initiative on Smart Cities & Communities aiming at making the production and use of energy in cities more sustainable and efficient will also be natural cooperation initiatives of a KIC on urban mobility.

A KIC in this area could also establish links with the transport and energy related European Technology Platforms (ETPs), the Public Private Partnership (PPP) on European Green Cars, and the numerous Framework Programme (FP) projects in this area. The KIC would take into account the research priorities and action plans defined in the framework of the ETPs and the research work carried out so far by the PPP and FP projects to enhance and accelerate the take up and exploitation of these research outcomes.

Complementarities will be also sought with the "European Mobile and Mobility Industries Alliance". Co-funded under the Competitiveness and Innovation Programme, the European Mobile and Mobility Industries Alliance aims at bringing together regional and national policy makers supporting innovative service solutions in mobile and mobility industries in view to mobilise more and better support to innovative service SMEs in such industries.

It will also build on the Intelligent Energy Europe, the eco-innovation market replication, and the ICT based services and pilot projects for smart urban mobility under the Competitiveness and Innovation Programme (CIP).

A KIC in this area would be complementary to these activities since it would focus on transdisciplinary activities within the knowledge triangle with a strong focus on innovative products and services and entrepreneurial education.

A KIC focusing on urban mobility would also be complementary to some of the specific activities already pursued by two existing KICs. Namely, Climate KIC activities under the theme transitioning to low-carbon resilient cities, and EIT ICT Labs work under the focus areas of intelligent transportation systems and digital cities of the future. The KIC on urban mobility will take on board the work carried in the framework of these KICs and place it in the wider context of a greener, more inclusive, safer and smarter urban mobility system.

4. Conclusion

A KIC focusing on urban mobility is most suited to address the challenges outlined above. It also meets the criteria put forward for the selection of KIC themes:

- It addresses a major economic and societal relevant challenge (to achieve a European transport system that is resource-efficient, environmentally-friendly, safe and seamless for the benefit of the citizens, the economy and the society), and contributes to the delivery of the Europe 2020 agenda and its objectives on climate and energy, employment, innovation and education.
- This KIC focus is aligned with priorities defined in Horizon 2020 and complementary with other Union activities in the transport, environmental and energy areas.

- By strengthening entrepreneurial thinking it integrates emerging technologies with new value chains and supports the translation of academic research on into products and services.
- It will thus address the European paradox, since it will capitalise Union's strong research base and find new innovative approaches to ensure a greener, more inclusive, safer and smarter urban mobility system.
- It will blend a critical mass of excellent research, innovation, education and training stakeholders, which would otherwise not unite.
- It adopts a cross-sectoral approach and therefore connects the different levels of responsibility from private entities to public administration – in particular at local level – to the individual citizen.
- It requires transdisciplinary work involving different areas of knowledge, and the development of new types of education across the boundaries of disciplines.

Model Framework Partnership Agreement

Version 2.0
12 January 2018

European Institute of Innovation and Technology (EIT)

eit.europa.eu



The EIT is a body of the European Union



HISTORY OF CHANGES		
Version	Publication date	Changes
1.0	13.01.2016	<ul style="list-style-type: none"> Initial version
2.0	12.01.2018	<ul style="list-style-type: none"> The main changes compared to version 1 of the model Framework Partnership Agreement (FPA) are as follows: <ul style="list-style-type: none"> New FPA provisions on the liability declarations of Linked Third Parties. The new FPA provisions allow for the EIT, in line with the H2020 model agreements, to invoke the liability of the Linked Third Parties themselves. In line with the changes introduced to Article 19, the EIT may ask for a Declaration of joint and several liability (see the new Annex 4a to the FPA, adapted based on Annex 3a of the H2020 model FPA) to be signed by the Linked Third Party and submitted by the KIC Partner to the EIT. In case the EIT requests so, the submission of such a Declaration is a precondition for the participation and the eligibility of the Linked Third Party in question. In line with the changes made to Article FPA, if the EIT has requested joint and several liability of a Linked Third Party, it may recover also from the Linked Third Party. The Linked Third Party's financial responsibility is limited to the maximum EIT contribution indicated in the estimated budget for the Linked Third Party. Information concerning the new FPA and SGA provisions on international partners. The new FPA and SGA provisions provide a framework for the involvement of international partners not receiving EIT funding. Similarly to the provision concerning linked third parties (Article 19), the new provision of the FPA (Article 19a) refers to a new separate Annex (Annex 7) where the international partners would be listed, if requested so by the KIC concerned. The new SGA provision (Article 12a) indicates the conditions for the involvement of the international partners concerned. The costs of the international partners in question shall be estimated in Annex 2 to the SGA, but will not be reimbursed and will not be taken into account for the calculation of the grant. The new SGA provision also specifies those key non-financial obligations which apply to the international partners, i.e. those relating to record-keeping, reporting, avoiding conflicts of interest, maintaining confidentiality, promoting the KIC and giving visibility to the EIT funding.

HISTORY OF CHANGES		
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<u>2.0</u>	2018	<ul style="list-style-type: none"> ▪ The main changes compared to version 1 of the model Framework Partnership Agreement (FPA) are as follows: <ul style="list-style-type: none"> – New FPA provisions on the liability declarations of Linked Third Parties. The new FPA provisions allow for the EIT, in line with the H2020 model agreements, to invoke the liability of the Linked Third Parties themselves. In line with the changes introduced to Article 19, the EIT may ask for a Declaration of joint and several liability (see the new Annex 4a to the FPA, adapted based on Annex 3a of the H2020 model FPA) to be signed by the Linked Third Party and submitted by the KIC Partner to the EIT. In case the EIT requests so, the submission of such a Declaration is a precondition for the participation and the eligibility of the Linked Third Party in question. In line with the changes made to Article FPA, if the EIT has requested joint and several liability of a Linked Third Party, it may recover also from the Linked Third Party. The Linked Third Party's financial responsibility is limited to the maximum EIT contribution indicated in the estimated budget for the Linked Third Party. – Information concerning the new FPA and SGA provisions on international partners. The new FPA and SGA provisions provide a framework for the involvement of international partners not receiving EIT funding. Similarly to the provision concerning linked third parties (Article 19), the new provision of the FPA (Article 19a) refers to a new separate Annex (Annex 7) where the international partners would be listed, if requested so by the KIC concerned. The new SGA provision (Article 12a) indicates the conditions for the involvement of the international partners concerned. The costs of the international partners in question shall be estimated in Annex 2 to the SGA, but will not be reimbursed and will not be taken into account for the calculation of the grant. The new SGA provision also specifies those key non-financial obligations which apply to the international partners, i.e. those relating to record-keeping, reporting, avoiding conflicts of interest, maintaining confidentiality, promoting the KIC and giving visibility to the EIT funding.

Ref.:EIT.[year].I

FRAMEWORK PARTNERSHIP AGREEMENT

FPA[year] /EIT/[KIC name]

This 'Framework Partnership Agreement' is **between** the following parties:

on the one part,

The **European Institute of Innovation and Technology ('the EIT')**
represented for the purposes of signature of this Framework Partnership Agreement by
Interim Director, Martin Kern

and

on the other part,

1. The Knowledge and Innovation Community Legal Entity ('the KIC LE'):

[full official name (short name)] established in [official address in full], VAT number [insert number] , represented for the purposes of signing the Framework Partnership Agreement by [function, forename and surname]

2. and the other Knowledge and Innovation Community ('KIC') Partners listed in Annex 2, if they have signed their 'Accession Form' (see Annex 4 and Article 62),

Unless otherwise specified, references to 'KIC Partner' or 'KIC Partners' include the KIC LE.

The parties referred to above have agreed to enter into the framework partnership under the terms and conditions below.

The Framework Partnership Agreement is composed of:

Terms and Conditions

Annex 1 Strategic Agenda of the KIC

Annex 2 List of KIC Partners

Annex 3 Model Specific Agreement

Annex 1 Description of the specific action

Annex 2 Estimated budget

Annex 3 Model for the financial statements

Annex 4 Model for the certificate on the financial statements

Annex 5 Unit costs for SME owners/natural beneficiaries without salary

Annex 4 Accession Forms

Annex 4a Declaration on joint and several liability of linked third parties. To be used if joint and several liability has been requested by the EIT.

Annex 5 List of linked third parties

Annex 6 Model for the certificate on the methodology

Annex 7 List of international partners

TERMS AND CONDITIONS

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CHAPTER 1 GENERAL

ARTICLE 1 — SUBJECT MATTER OF THE AGREEMENT

This Agreement establishes a long term cooperation ('framework partnership') and sets out its terms and conditions and the general terms and conditions and rights and obligations applicable to the specific grants that may be awarded by the EIT for specific actions under the framework partnership.

CHAPTER 2 FRAMEWORK PARTNERSHIP

ARTICLE 2 — STRATEGIC AGENDA — AWARD OF SPECIFIC GRANTS — SPECIFIC AGREEMENTS — MAXIMUM EIT FINANCIAL CONTRIBUTION

2.1 Strategic Agenda

The strategy, objectives, expected impact and activities under the framework partnership are set out in the '**Strategic Agenda**' in Annex 1.

2.2 Award of specific grants for specific actions — Specific Agreements

The EIT may award '**specific grants**' for '**specific actions**' to be implemented under the framework partnership.

The specific action consists of '**KIC added value activities**' under a Business Plan for a given time period. In accordance with Article 2(11) of the EIT Regulation, 'KIC added-value activities' means activities carried out by KIC Partners, contributing to the integration of the knowledge triangle of higher education, research and innovation, including the establishment, administrative and coordination activities of the KICs, and contributing to the overall objectives of the EIT.

In order to obtain proposals for specific grants, the EIT will consult the KIC LE on the basis of an invitation to submit a proposal that sets out the award criteria it will apply.

The EIT will decide on the award of the specific grants following an evaluation of the proposal and a competitive review across KICs. The proposal consists of a Business Plan, including short, mid and long-term objectives and targets, key performance indicators, and describing the KIC activities which consist of KIC added value activities to be supported by the specific grant and KIC complementary activities having a clear link with at least one KIC added value activity and not financed from the EIT contribution.

If the EIT decides to award a specific grant, it will propose the KIC LE to conclude a '**Specific Agreement (SGA)**' (see Annex 3).

By the signature of the Specific Agreement by the KIC LE and by the signature of the Accession Form by the KIC Partners, the KIC Partners accept the specific grant and agree to implement the specific action under their own responsibility, without prejudice to and in accordance with

Article 47.1, and in accordance with the Framework Partnership Agreement and this Specific Agreement, with all the obligations and conditions they set out.

Specific Agreements must be concluded before the end of the framework partnership (see Article 3).

After the end of the framework partnership or its termination, the Framework Partnership Agreement continues to apply to specific actions that are implemented under Specific Agreements which have entered into force before end of the duration.

2.3 Maximum EIT financial contribution

The sum of the final amounts of the grants (see Article 10.3) under the specific grant agreements signed under this Framework Partnership Agreement until 31 December 2022 may not exceed 25% of the KIC overall funding.

The KIC overall funding consists of the costs incurred by the KIC Partners, their linked third parties (see Article 19) and/or third parties receiving financial support (see Article 20) in implementing the KIC activities (KIC added value activities and KIC complementary activities) as described in the Business Plans (see Annex 1 SGA).

The costs of KIC complementary activities shall be

- proportionate to the cost of KIC added value activities and/or to the expected impact in furthering the mission of a framework partnership (i.e. the relative weight of KIC complementary activities within KIC activities must be suitable and reasonable to achieve the objectives of the activity);
- incurred after the designation date of the framework partnership;
- identifiable and verifiable.

If the sum of the final amount of the grants exceeds 25% of the KIC overall funding, the EIT will recover the difference at the time of the last payment of the balance of a grant awarded under this Framework Partnership Agreement until 31 December 2022 (see Article 50).

ARTICLE 3 — DURATION AND STARTING DATE OF THE FRAMEWORK PARTNERSHIP

The Framework Partnership Agreement is concluded for a period of 7 years as of its entry into force (see Article 64). This period may be extended.

ARTICLE 4 — RIGHTS AND OBLIGATIONS UNDER THE FRAMEWORK PARTNERSHIP

4.1 General obligation to properly implement the framework partnership

Without prejudice to and in accordance with Article 47.1, the KIC Partners must respect the objectives of the framework partnership and implement it as described in Annex 1 and endeavour to achieve those objectives also in the specific actions.

The KIC Partners must maintain relations of mutual co-operation and regular and transparent exchanges of information with the EIT on:

- the implementation and follow-up of the Strategic Agenda, the Business Plans and the specific grants and
- other matters of common interest related to the Framework Partnership Agreement.

The KIC Partners must implement the framework partnership in compliance with Articles 39, 40, 41, 42, 44, 45, 52 — *mutatis mutandis*.

4.2 KIC Internal Agreement

The KIC Partners must have internal arrangements regarding their operation and co-ordination to ensure that the framework partnership and the specific actions are implemented properly. These internal arrangements must be set out in writing and may cover:

- internal organisation of the KIC, notably governance arrangements reflecting the knowledge triangle of higher education, research and innovation, and openness to new KIC Partners if they add value to the KIC;
- the principles of good governance;
- distribution of EIT funding;
- additional rules on rights and obligations related to background and results (including whether access rights remain or not, if a KIC Partner is in breach of its obligations) (see Subsection 3 of Chapter 3);
- settlement of internal disputes;
- liability, indemnification and confidentiality arrangements between the KIC Partners.

These internal arrangements shall be included in the '**Internal Agreements**' between the KIC LE and other KIC Partners or shall be included in the statutes or by-laws of the KIC LE.

The internal arrangements must not contain any provision contrary to the Framework Partnership Agreement and the Specific Agreements.

4.3 EIT Labelled degrees and diplomas

4.3.1 Degrees and diplomas relating to the KIC education and training activities awarded by Higher Education Institutions participating in the KIC may be labelled as EIT degrees and diplomas, provided they fulfil the following quality criteria:

- a. Robust entrepreneurship education

- b. Highly integrated, innovative "learning by doing" curricula
- c. Mobility, European dimension and openness to the world
- d. Outreach strategy and access policy

4.3.2 The EIT, in close cooperation with the KIC LE, must define the modalities for assessment, labelling and follow up review and governance of EIT labelled degrees and diplomas. EIT labelled degrees and diplomas must build on the experience gained in the context of the European Higher Education Area.

4.3.3 Education and training activities not being awarded with the EIT label must not use the EIT label. Such activities must use the KIC brand adopted by the EIT.

ARTICLE 5 — SUSPENSION OF FRAMEWORK PARTNERSHIP IMPLEMENTATION

The parties may suspend the implementation of the framework partnership on the grounds and according to the procedure — *mutatis mutandis* — set out in Article 55.

If the framework partnership implementation is suspended, the implementation of the specific actions is also suspended (see Article 55), from the date of suspension of the framework partnership.

ARTICLE 6 — TERMINATION OF THE FRAMEWORK PARTNERSHIP AGREEMENT OR OF THE PARTICIPATION OF ONE OR MORE KIC PARTNERS

6.1 Termination of the Agreement

The parties signing the Framework Partnership Agreement may terminate the Framework Partnership Agreement at any time.

The party terminating the Framework Partnership Agreement must formally notify termination to the other party, stating the date the termination will take effect. This date must be after the notification.

Without prejudice to and in accordance with Article 47.1, termination of the Framework Partnership Agreement does not release the parties from their obligations under Specific Agreements which have entered into force before the date on which the termination takes effect, unless they have been terminated.

Neither party may claim damages due to termination by the other party.

6.2 Termination of the participation of one or more KIC Partners

The parties may terminate participation of one or more KIC Partners in the framework partnership on the grounds and according to the procedures — *mutatis mutandis* — set out in Article 56.2.1, 56.3.1 and 56.3.2.

The KIC LE must submit a request for amendment (see Article 61) to adapt Annex 1 and, if necessary, the addition of one or more new KIC Partners (see Article 62).

If the request for amendment is rejected by the EIT, the Framework Partnership Agreement may be terminated (see above).

Without prejudice to and in accordance with Article 47.1, termination of participation in the framework partnership does not release the KIC Partner concerned from its obligations under Specific Agreements. It cannot however participate in specific actions for which specific grants are awarded after the date on which the termination takes effect.

CHAPTER 3 SPECIFIC GRANTS

SECTION 1 SPECIFIC ACTIONS

ARTICLE 7 — SPECIFIC ACTIONS TO BE IMPLEMENTED – BUSINESS PLANS

The specific actions to be implemented are set out in the Specific Agreements (see Article 2 and Annex 1 SGA).

The Business Plan containing the specific action to be implemented as well as the KIC complementary activities are set out in the Specific Agreement (see Annex 1 SGA).

ARTICLE 8 — DURATION OF THE SPECIFIC ACTIONS

The duration of the specific actions is set out in the Specific Agreements (see Article 3 SGA).

ARTICLE 9 — ESTIMATED BUDGET AND BUDGET TRANSFERS

9.1 Estimated budget

The estimated budget for the specific action is set out in Annex 2 to the Specific Agreements.

It contains the estimated eligible costs, broken down by KIC Partners and linked third party and budget category (Articles 4, 5, 6 SGA and Article 19 FPA). It also shows, if applicable, the estimated costs of the KIC Partners not receiving EIT funding (see Article 7 SGA) and of the international partners (see Article 12a SGA).

9.2 Budget transfers

The estimated budget breakdown indicated in Annex 2 to the Specific Agreements may be adjusted – without an amendment (see Article 61) – by transfers of amounts between KIC Partners, budget categories and/or forms of costs set out in Annex 2 to the Specific Agreements, if the specific action is implemented as described in Annex 1 to the Specific Agreements.

However, the KIC Partners may not add costs relating to subcontracts not provided for in Annex 1 to the Specific Agreements, unless such additional subcontracts are approved by an amendment or in accordance with Article 11 SGA.

Moreover, lump sums set out in Annex 1 to the Specific Agreement can never be adjusted.

SECTION 2 SPECIFIC GRANTS

ARTICLE 10 — GRANT AMOUNT, FORM OF GRANT, REIMBURSEMENT RATES AND FORMS OF COSTS

10.1 Maximum grant amount

The maximum grant amount for the specific grants is set out in the Specific Agreements (see Article 4 SGA).

10.2 Form of grant, reimbursement rates and form(s) of costs

The form of the grant, reimbursement rate(s), estimated eligible costs and the form(s) of costs of the specific grants are set out in the Specific Agreements (see Article 4 SGA).

10.3 Final grant amount — Calculation

The final grant amount of a specific grant depends on the actual extent to which the specific action is implemented in accordance with the terms and conditions of the Framework Partnership Agreement and the Specific Agreement concerned.

This amount is calculated by the EIT — when the payment of the balance is made (see Article 17 SGA) — in the following steps:

Step 1 – Application of the reimbursement rates to the eligible costs

Step 2 – Limit to the maximum grant amount

Step 3 – Reduction due to the no-profit rule

Step 4 – Reduction due to substantial errors, irregularities or fraud or serious breach of obligations

10.3.1 Step 1 — Application of the reimbursement rates to the eligible costs

The reimbursement rate (see Article 4 SGA) is applied to the eligible costs (actual costs, unit costs, flat-rate costs and lump sum costs; see Article 5 SGA) declared by the KIC Partners and the linked third parties (see Article 16 SGA) and approved by the EIT (see Article 17 SGA).

10.3.2 Step 2 — Limit to the maximum grant amount

If the amount obtained following Step 1 is higher than the maximum grant amount (see Article 4 SGA), it will be limited to the latter.

10.3.3 Step 3 — Reduction due to the no-profit rule

The specific grant must not produce a profit.

‘Profit’ means the surplus of the amount obtained following Steps 1 and 2 plus the specific action's total receipts, over the specific action's total eligible costs.

The **‘specific action's total eligible costs’** are the consolidated total eligible costs approved by the EIT.

The **‘specific action's total receipts’** are the consolidated total receipts generated during its duration (see Article 3 SGA).

The following are considered **receipts**:

- a) income generated by the specific action; if the income is generated from selling equipment or other assets purchased for the specific action under the Specific Agreement, the receipt is up to the amount declared as eligible under the Specific Agreement;
- b) financial contributions given by third parties to the KIC Partner or to a linked third party specifically to be used for the specific action, and
- c) in-kind contributions provided by third parties free of charge specifically to be used for the specific action, if they have been declared as eligible costs.

The following are however not considered receipts:

- (a) income generated by exploiting the specific action's results (see Article 34);
- (b) financial contributions by third parties, if they may be used to cover costs other than the eligible costs (see Article 5 SGA);
- (c) financial contributions by third parties with no obligation to repay any amount unused at the end of the period set out in Article 3 SGA.

If there is a profit, it will be deducted from the amount obtained following Steps 1 and 2.

10.3.4 Step 4 — Reduction due to substantial errors, irregularities or fraud or serious breach of obligations — Reduced grant amount — Calculation

If the specific grant is reduced (see Article 49), the EIT will calculate the reduced grant amount by deducting the amount of the reduction (calculated in proportion to the seriousness of the

errors, irregularities or fraud or breach of obligations, in accordance with Article 49.2) from the maximum grant amount (see Article 4 SGA).

The final grant amount will be the lower of the following two:

- the amount obtained following Steps 1 to 3 or
- the reduced grant amount following Step 4.

10.4 Revised final grant amount — Calculation

If — after the payment of the balance (in particular, after checks, reviews, audits or investigations; see Article 28) — the EIT rejects costs (see Article 48) or reduces the specific grant (see Article 49), it will calculate the '**revised final grant amount**' for the KIC Partner concerned by the findings.

This **amount** is calculated by the EIT on the basis of the findings, as follows:

- in case of **rejection of costs**: by applying the reimbursement rate to the revised eligible costs approved by the EIT for the KIC Partner concerned;
- in case of **reduction of the specific grant**: by calculating the concerned KIC Partner's share in the grant amount reduced in proportion to the seriousness of the errors, irregularities or fraud or breach of obligations (see Article 49.2).

In case of **rejection of costs and reduction of the specific grant**: the revised final grant amount for the KIC Partner concerned will be the lower of the two amounts above.

ARTICLE 11 — ELIGIBLE AND INELIGIBLE COSTS

11.1 Eligible costs

The general and specific conditions for costs to be eligible under the specific grants are set out in the Specific Agreements (see Article 5 SGA).

11.2 Ineligible costs

The conditions under which costs are considered ineligible under the specific grants are set out in the Specific Agreements (see Article 5 SGA).

11.3 Consequences of declaration of ineligible costs

Declared costs that are ineligible will be rejected (see Article 48).

This may also lead to any of the other measures described in Section 5.

SECTION 3 RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THE SPECIFIC GRANTS

SUBSECTION 1 RIGHTS AND OBLIGATIONS RELATED TO IMPLEMENTING THE SPECIFIC ACTIONS

ARTICLE 12 — GENERAL OBLIGATION TO PROPERLY IMPLEMENT THE SPECIFIC ACTIONS

12.1 General obligation to properly implement the specific actions

Without prejudice to and in accordance with Article 47.1, the KIC Partners must implement the specific actions as described in Annex 1 to the Specific Agreements and in compliance with the provisions of the Framework Partnership Agreement and the Specific Agreements and all legal obligations applicable under EU, international and national law.

Annex 1 of the Specific Agreement indicates the KIC Partners participating in the implementation of each KIC added value activity.

12.2 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the specific grants may be reduced (see Article 49).

Such breaches may also lead to any of the other measures described in Section 5.

ARTICLE 13 — RESOURCES TO IMPLEMENT THE SPECIFIC ACTIONS – THIRD PARTIES INVOLVED IN THE SPECIFIC ACTIONS

The rules on the resources to implement the specific actions and involvement of third parties in the action are set out in the Specific Agreements (see Article 6 SGA).

ARTICLE 14 — IMPLEMENTATION OF ACTION TASKS BY KIC PARTNERS NOT RECEIVING EIT FUNDING

The rules for the implementation of tasks forming part of the specific actions by KIC Partners not receiving EIT funding are set out in the Specific Agreements (see Article 7 SGA).

ARTICLE 15 — PURCHASE OF GOODS, WORKS OR SERVICES

The rules for the purchase of goods works and services are set out in the Specific Agreements (see Article 8 SGA).

ARTICLE 16 — USE OF IN-KIND CONTRIBUTIONS PROVIDED BY THIRD PARTIES AGAINST PAYMENT

The rules for the use of in-kind contributions provided by third parties against payment are set out in the Specific Agreements (see Article 9 SGA).

ARTICLE 17 — USE OF IN-KIND CONTRIBUTIONS PROVIDED BY THIRD PARTIES FREE OF CHARGE

The rules for the use of in-kind contributions provided by third parties free of charge are set out in the Specific Agreements (see Article 10 SGA).

ARTICLE 18 — IMPLEMENTATION OF ACTION TASKS BY SUBCONTRACTORS

The rules for subcontracting action tasks are set out in the Specific Agreements (see Article 11 SGA).

ARTICLE 19 — IMPLEMENTATION OF ACTION TASKS BY LINKED THIRD PARTIES

The affiliated entities¹ and third parties with a legal link to a KIC Partner² ('linked third parties') listed in Annex 5 may implement action tasks attributed to them in Annex 1 to a Specific Agreement.

If joint and several liability has been requested by the EIT, a linked third party listed in Annex 5 may implement action tasks if it has accepted joint and several liability with the KIC Partner (see Annex 4a).

The rules for calling on linked third parties are set out in the Specific Agreements (see Article 12 SGA).

ARTICLE 19a – IMPLEMENTATION OF ACTION TASKS BY INTERNATIONAL PARTNERS

19a.1 Rules for calling upon international partners to implement part of the action

¹ For a definition, see Article 2.1(2) of Regulation (EU) No 1290/2013 of the European Parliament and of the Council of 11 December 2013 laying down the rules for participation and dissemination in "Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020)" ('Rules for Participation Regulation No 1290/2013') (OJ L 347, 20.12.2013 p.81): '**affiliated entity**' means any legal entity that is:

- under the direct or indirect control of a participant, or
- under the same direct or indirect control as the participant, or
- directly or indirectly controlling a participant.

'Control' may take any of the following forms:

- a) the direct or indirect holding of more than 50% of the nominal value of the issued share capital in the legal entity concerned, or of a majority of the voting rights of the shareholders or associates of that entity;
- b) the direct or indirect holding, in fact or in law, of decision-making powers in the legal entity concerned.

However, the following relationships between legal entities shall not in themselves constitute controlling relationships:

- a) the same public investment corporation, institutional investor or venture-capital company has a direct or indirect holding of more than 50% of the nominal value of the issued share capital or a majority of voting rights of the shareholders or associates;

the legal entities concerned are owned or supervised by the same public body.

² '**Third party with a legal link to a partner**' is any legal entity which has a legal link to the partner implying collaboration that is not limited to the action.

The **international partners**³ listed in Annex 7 may implement action tasks attributed to them in Annex 1 to the Specific Agreement.

The rules for calling on international partners are set out in the Specific Agreements (see Article 12a SGA).

ARTICLE 20 — FINANCIAL SUPPORT TO THIRD PARTIES

The rules for providing financial support to third parties are set out in the Specific Agreements (see Article 13 SGA).

ARTICLE 21 — SUPPORT TO OR IMPLEMENTATION OF TRANS-NATIONAL PROJECTS

Not applicable

ARTICLE 22 — PROVISION OF TRANS-NATIONAL OR VIRTUAL ACCESS TO RESEARCH INFRASTRUCTURES

Not applicable

SUBSECTION 2 RIGHTS AND OBLIGATIONS RELATED TO THE GRANT ADMINISTRATION

ARTICLE 23 – GENERAL OBLIGATION TO INFORM

23.1 General obligation to provide information upon request

The KIC Partners must provide — during implementation of the specific actions or afterwards and in accordance with Article 47.1— any information requested in order to verify eligibility of the costs, proper implementation of the specific actions and compliance with any other obligations under the Framework Partnership Agreement and the Specific Agreements.

23.2 Obligation to keep information up to date and to inform about events and circumstances likely to affect the Agreements

Each KIC Partner must immediately inform the KIC LE — which must immediately inform the EIT and the other KIC Partners — of any of the following:

- (a) **events** which are likely to affect significantly or delay the implementation of a specific action or the EIT's financial interests, in particular:
 - (i) changes in its legal, financial, technical, organisational or ownership situation or those of its linked third parties and
 - (ii) changes in the name, address, legal form, organisation type of its linked third parties;

³ 'International partner' is any legal entity established in a non-associated third country which is not eligible for funding under Article 10 of the Rules for Participation Regulation No 1290/2013.

(b) **circumstances** affecting:

- (i) the decision to award a specific grant and the Framework Partnership Agreement, or
- (ii) compliance with requirements under the Framework Partnership Agreement or the Specific Agreements.

23.3 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the specific grant may be reduced (see Article 49).

Such breaches may also lead to any of the other measures described in Section 5.

ARTICLE 24 — KEEPING RECORDS — SUPPORTING DOCUMENTATION

24.1 Obligation to keep records and other supporting documentation

For each specific grant, the KIC Partners must — for a period of five years after the payment of the balance — keep records and other supporting documentation in order to prove the proper implementation of the specific action and the costs they declare as eligible.

They must make them available upon request (see Article 23) or in the context of checks, reviews, audits or investigations (see Article 28).

If there are on-going checks, reviews, audits, investigations, litigation or other pursuits of claims under a Specific Agreement (including the extension of findings; see Article 28), the KIC Partners must keep the records and other supporting documentation until the end of these procedures.

The KIC Partners must keep the original documents. Digital and digitalised documents are considered originals if they are authorised by the applicable national law. The EIT may accept non-original documents if it considers that they offer a comparable level of assurance.

24.1.1 Records and other supporting documentation on the scientific and technical implementation

The KIC Partners must keep records and other supporting documentation on the implementation of the specific action in line with the accepted standards in the respective field.

24.1.2 Records and other documentation to support the eligible costs declared

The KIC Partners must keep the records and documentation supporting the eligible costs declared, in particular the following:

- (a) for **actual costs**: adequate records and other supporting documentation to prove the eligible costs declared, such as contracts, subcontracts, invoices and accounting records. In addition, the KIC LE or KIC Partners' usual cost accounting practices and internal control procedures must enable direct reconciliation between the amounts declared, the amounts recorded in their accounts and the amounts stated in the supporting documentation;
- (b) for **unit costs**: adequate records and other supporting documentation to prove the number of units declared. KIC Partners do not need to identify the actual eligible costs covered or to keep or provide supporting documentation (such as accounting statements) to prove the amount per unit.

In addition, for **unit costs calculated in accordance with the KIC Partner's usual cost accounting practices**, the KIC Partners must keep adequate records and documentation to prove that the cost accounting practices used comply with the eligibility conditions set out in the Specific Agreements (see Article 5 SGA).

The KIC Partners and their linked third parties may submit to the EIT, for approval by the Commission, a certificate (drawn up in accordance with Annex 6) stating that their usual cost accounting practices comply with these conditions (**'certificate on the methodology'**). If the certificate is approved, costs declared in line with this methodology will not be challenged subsequently, unless the KIC Partners have concealed information for the purpose of the approval.

- (c) for **flat-rate costs**: adequate records and other supporting documentation to prove the eligibility of the costs to which the flat-rate is applied. The KIC Partners do not need to identify the costs covered or provide supporting documentation (such as accounting statements) to prove the amount declared at a flat-rate.
- (d) for **lump sum costs**: adequate records and other supporting documentation to prove that the corresponding tasks or part of the specific action as described in Annex 1 to the Specific Agreement concerned were implemented properly. The KIC Partners do not need to identify the actual eligible costs covered or provide supporting documentation (such as accounting statements) to prove the amount declared as a lump sum.

In addition, for **personnel costs** (declared as actual costs or on the basis of unit costs), the KIC Partners must keep **time records** for the number of hours declared. The time records must be in writing and approved by the persons working on the specific action and their supervisors, at least monthly. In the absence of reliable time records of the hours worked on the specific action, the EIT may accept alternative evidence supporting the number of hours declared, if it considers that it offers an adequate level of assurance.

As an exception, for **persons working exclusively on the specific action**, there is no need to keep time records, if the KIC Partner signs a **declaration** confirming that the persons concerned have worked exclusively on the specific action.

For costs declared by linked third parties (see Article 19), it is the KIC Partner that must keep the originals of the financial statements and the certificates on the financial statements of the linked third parties.

24.2 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, costs of the specific action insufficiently substantiated will be ineligible (see Article 5 SGA) and will be rejected (see Article 48), and the specific grant may be reduced (see Article 49).

Such breaches may also lead to any of the other measures described in Section 5.

ARTICLE 25 — SUBMISSION OF DELIVERABLES

The rules on submission of deliverables for the specific grants are set out in the Specific Agreements (see Article 15 SGA).

ARTICLE 26 — REPORTING — PAYMENT REQUESTS

The rules on reporting and payment requests for the specific grants are set out in the Specific Agreements (see Article 16 SGA).

ARTICLE 27 — PAYMENTS AND PAYMENT ARRANGEMENTS

The rules on payments and payment arrangements for the specific grants are set out in the Specific Agreements (see Article 17 SGA).

ARTICLE 28 — CHECKS, REVIEWS, AUDITS AND INVESTIGATIONS — EXTENSION OF FINDINGS

28.1 Checks, reviews and audits by the EIT and the Commission

28.1.1 Right to carry out checks

The EIT will — during the implementation of a specific action or afterwards — check the proper implementation of the specific action and compliance with the obligations under the Framework Partnership Agreement and the Specific Agreement, including assessing deliverables and reports.

For this purpose the EIT may be assisted by external persons or bodies.

The EIT may also request additional information in accordance with Article 23. The EIT may request KIC Partners to provide such information to it directly.

Information provided must be accurate, precise and complete and in the format requested, including electronic format.

28.1.2 Right to carry out reviews

The EIT may — during the implementation of a specific action or afterwards — carry out reviews on the proper implementation of the specific action (including assessment of deliverables and reports), compliance with the obligations under the Framework Partnership Agreement and the Specific Agreement.

Reviews may be started **up to two years after the payment of the balance**. They will be formally notified to the KIC LE or KIC Partner concerned and will be considered to have started on the date of the formal notification.

If the review is carried out on a third party (see Articles 15 to 22), the KIC Partner concerned must inform the third party.

The EIT may carry out reviews directly (using its own staff) or indirectly (using external persons or bodies appointed to do so). It will inform the KIC LE or the KIC Partner concerned of the identity of the external persons or bodies. They have the right to object to the appointment on grounds of commercial confidentiality.

The KIC LE or KIC Partner concerned must provide — within the deadline requested — any information and data in addition to deliverables and reports already submitted (including information on the use of resources).

The KIC LE or KIC Partner concerned may be requested to participate in meetings, including with external experts.

For **on-the-spot** reviews, the KIC Partners must allow access to their sites and premises, including to external persons or bodies, and must ensure that information requested is readily available.

Information provided must be accurate, precise and complete and in the format requested, including electronic format.

On the basis of the review findings, a '**review report**' will be drawn up.

The EIT will formally notify the review report to the KIC LE or KIC Partner concerned, which has 30 days to formally notify observations ('**contradictory review procedure**').

Reviews (including review reports) are in English.

28.1.3 Right to carry out audits

The EIT or the Commission may — during the implementation of a specific action or afterwards — carry out audits on the proper implementation of the specific action and compliance with the obligations under the Framework Partnership Agreement and the Specific Agreement.

Audits may be started **up to two years after the payment of the balance**. They will be formally notified to the KIC LE or KIC Partner concerned and will be considered to have started on the date of the formal notification.

If the audit is carried out on a third party (see Articles 15 to 22), the KIC Partner concerned must inform the third party.

The EIT or the Commission may carry out audits directly (using its own staff) or indirectly (using external persons or bodies appointed to do so). It will inform the KIC LE or the KIC Partner concerned of the identity of the external persons or bodies. They have the right to object to the appointment on grounds of commercial confidentiality.

The KIC LE or the KIC Partner concerned must provide — within the deadline requested — any information (including complete accounts, individual salary statements or other personal data) to verify compliance with the Framework Partnership Agreement and Specific Agreements. The EIT or the Commission may request KIC Partners to provide such information to it directly.

For **on-the-spot** audits, the KIC Partners must allow access to their sites and premises, including to external persons or bodies, and must ensure that information requested is readily available.

Information provided must be accurate, precise and complete and in the format requested, including electronic format.

On the basis of the audit findings, a '**draft audit report**' will be drawn up.

The EIT or the Commission will formally notify the draft audit report to the KIC LE or the KIC Partner concerned, which has 30 days to formally notify observations ('**contradictory audit procedure**'). This period may be extended by the EIT or the Commission in justified cases.

The '**final audit report**' will take into account observations by the KIC LE or KIC Partner concerned. The report will be formally notified to it.

Audits (including audit reports) are in English.

The EIT or the Commission may also access the KIC Partners' statutory records for the periodical assessment of unit costs, flat-rate amounts or lump sums.

28.2 Investigations by the European Anti-Fraud Office (OLAF)

Under Regulations No 883/2013⁴ and No 2185/96⁵ (and in accordance with their provisions and procedures), the European Anti-Fraud Office (OLAF) may — at any moment during implementation of a specific action or afterwards — carry out investigations, including on-the-spot checks and inspections, to establish whether there has been fraud, corruption or any other illegal activity under the Framework Partnership Agreement or Specific Agreement affecting the financial interests of the EU.

28.3 Checks and audits by the European Court of Auditors (ECA)

Under Article 287 of the Treaty on the Functioning of the European Union (TFEU) and Article 111 of the EIT Financial Regulation⁶, the European Court of Auditors (ECA) may — at any moment during implementation of a specific action or afterwards — carry out audits.

The ECA has the right of access for the purpose of checks and audits.

28.4 Checks, reviews, audits and investigations for international organisations

Not applicable

28.5 Consequences of findings in checks, reviews, audits and investigations —Extension of findings

28.5.1 Findings in a specific grant

Findings in checks, reviews, audits or investigations carried out in the context of a specific grant may lead to the rejection of ineligible costs (see Article 48), reduction of the specific grant (see Article 49), recovery of undue amounts (see Article 50) or to any of the other measures described in Section 5.

Rejection of costs or reduction of the specific grant after the payment of the balance will lead to a revised final grant amount (see Article 4 SGA).

Findings in checks, reviews, audits or investigations may lead to a request for amendment for the modification of Annex 1 to the Specific Agreement (see Article 61).

Checks, reviews, audits or investigations that find systemic or recurrent errors, irregularities, fraud or breach of obligations may also lead to consequences in other EIT, EU or Euratom grants awarded under similar conditions (**‘extension of findings from the specific grant to other grants’**).

⁴ Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.09.2013, p. 1).

⁵ Council Regulation (Euratom, EC) No 2185/1996 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2).

⁶ Decision of the Governing Board of the European Institute of Innovation and Technology (EIT) of 27 December 2013 on adopting the financial regulation for the European Institute of Innovation and Technology

Moreover, findings arising from an OLAF investigation may lead to criminal prosecution under national law.

28.5.2 Findings in other grants

The EIT or the Commission may extend findings from other grants to a specific grant ('**extension of findings from other grants to a specific grant**'), if:

- (a) the KIC Partner concerned is found, in other EIT, EU or Euratom grants awarded under similar conditions, to have committed systemic or recurrent errors, irregularities, fraud or breach of obligations that have a material impact on the specific grant and
- (b) those findings are formally notified to the KIC Partner concerned — together with the list of grants affected by the findings — no later than two years after the payment of the balance of the specific grant.

The extension of findings may lead to the rejection of costs (see Article 48) reduction of the specific grant (see Article 49), recovery of undue amounts (see Article 50), suspension of the action implementation (see Article 55) or termination of the specific grant (see Article 56).

28.5.3 Procedure

The EIT or the Commission will formally notify the KIC Partner concerned the systemic or recurrent errors, and its intention to extend these audit findings together with the list of grants affected.

28.5.3.1 If the findings concern **eligibility of costs**: the formal notification will include:

- (a) an invitation to submit observations on the list of grants affected by the findings;
- (b) the request to submit **revised financial statements** for all grants affected;
- (c) the **correction rate for extrapolation** established by the EIT or the Commission on the basis of the systemic or recurrent errors, to calculate the amounts to be rejected if the KIC Partner concerned:
 - (i) considers that the submission of revised financial statements is not possible or practicable or
 - (ii) does not submit revised financial statements.

The KIC Partner concerned has 90 days from receiving notification to submit observations, revised financial statements or to propose a duly substantiated **alternative correction method**. This period may be extended by the EIT or the Commission in justified cases.

The EIT or the Commission may then start a rejection procedure in accordance with Article 48, on the basis of:

- the revised financial statements, if approved;
- the proposed alternative correction method, if accepted

or

- the initially notified correction rate for extrapolation, if it does not receive any observations or revised financial statements, does not accept the observations or the proposed alternative correction method or does not approve the revised financial statements.

28.5.3.2 If the findings concern **substantial errors, irregularities or fraud** or **serious breach of obligations**: the formal notification will include:

- (a) an invitation to submit observations on the list of grants affected by the findings and
- (b) the flat-rate the EIT or the Commission intends to apply according to the principle of proportionality.

The KIC Partner concerned has 90 days from receiving notification to submit observations or to propose a duly substantiated alternative flat-rate.

The EIT may then start a reduction procedure in accordance with Article 49, on the basis of:

- the proposed alternative flat-rate, if accepted

or

- the initially notified flat rate, if it does not receive any observations or does not accept the observations or the proposed alternative flat-rate.

28.6 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, any insufficiently substantiated costs of specific actions will be ineligible (see Article 5 SGA) and will be rejected (see Article 48).

Such breaches may also lead to any of the other measures described in Section 5.

ARTICLE 29 — MONITORING AND EXTERNAL EVALUATION OF THE KIC

29.1 Right to monitor and evaluate the KIC

The EIT or the Commission may carry out interim and final evaluations of the output, results and impact of the KIC.

Evaluations may be started during implementation of a specific action and up to five years after the payment of the balance. The evaluation is considered to start on the date of the formal notification to the KIC LE or KIC Partners.

The EIT or the Commission may make these evaluations directly (using its own staff) or indirectly (using external bodies or persons it has authorised to do so).

The KIC LE and KIC Partners must provide any information requested to evaluate its impact, including information in electronic format.

29.2 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the EIT may apply the measures described in Section 5.

SUBSECTION 3 RIGHTS AND OBLIGATIONS RELATED TO BACKGROUND AND RESULTS OF THE SPECIFIC ACTIONS

SUBSUBSECTION 1 GENERAL

ARTICLE 29a — MANAGEMENT OF INTELLECTUAL PROPERTY

29a.1 Obligation to take measures to implement the Commission Recommendation on the management of intellectual property in knowledge transfer activities

KIC Partners that are universities or other public research organisations must take measures to implement the principles set out in Points 1 and 2 of the Code of Practice annexed to the Commission Recommendation on the management of intellectual property in knowledge transfer activities.

This does not change the obligations set out in Subsubsections 2 and 3 of this Subsection.

The KIC Partners must ensure that researchers and third parties involved in the specific actions are aware of them.

29a.2 Consequences of non-compliance

If a KIC Partner breaches its obligations under this Article, the EIT may apply any of the measures described in Section 5.

SUBSUBSECTION 2 RIGHTS AND OBLIGATIONS RELATED TO BACKGROUND

ARTICLE 30 — AGREEMENT ON BACKGROUND

30.1 Agreement on background

‘Background’ means any data, know-how or information held by any KIC Partner — whatever its form or nature (tangible or intangible), including any rights such as intellectual property rights — that:

- (a) is held by the KIC Partners before they entered into the Specific Agreement concerned or no later than before the commencement of the particular KIC added value activity and
- (b) is needed to implement the KIC added-value activities in which they participate under the specific action or exploit the results thereof.

The KIC Partners must identify and agree (in writing) on the background for the KIC added value activities in which they participate under the specific action (**‘agreement on background’**).

30.2 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the grant may be reduced (see Article 49).

Such breaches may also lead to any of the other measures described in Section 5.

ARTICLE 31 — ACCESS RIGHTS TO BACKGROUND

31.1 Exercise of access rights — Waiving of access rights — No sub-licensing

To exercise access rights, this must first be requested in writing (**‘request for access’**).

‘Access rights’ means rights to use results or background under the terms and conditions laid down in this Agreement.

Waivers of access rights are not valid unless in writing.

Unless agreed otherwise, access rights do not include the right to sub-license.

31.2 Access rights for other KIC Partners, for implementing their own tasks under the specific action

The KIC Partners participating in the same KIC added value activity under the specific action must give each other access — on a royalty-free basis — to background needed to implement their own tasks under the particular KIC added value activity, unless the KIC Partner that holds the background has — no later than before the commencement of the particular KIC added value activity —:

- (a) informed the other KIC Partners participating in the same KIC added value activity that access to its background is subject to legal restrictions or limits, including those imposed by the rights of third parties (including personnel), or

- (b) agreed with the other KIC Partners participating in the same KIC added value activity that access would not be on a royalty-free basis.

31.3 Access rights for other KIC Partners, for exploiting their own results of the specific action

The KIC Partners participating in the same KIC added value activity must give each other access — under fair and reasonable conditions— to background needed for exploiting their own results of the same KIC added value activity, unless the KIC Partner that holds the background has — no later than before the commencement of the particular KIC added value activity — informed the other KIC Partners participating in the same KIC added value activity that access to its background is subject to legal restrictions or limits, including those imposed by the rights of third parties (including personnel).

‘Fair and reasonable conditions’ means appropriate conditions, including possible financial terms or royalty-free conditions, taking into account the specific circumstances of the request for access, for example the actual or potential value of the results or background to which access is requested and/or the scope, duration or other characteristics of the exploitation envisaged.

Request for access may be made — unless agreed otherwise — up to one year after the period set out in Article 3 SGA.

31.4 Access rights for other KIC Partners, for other KIC added value activities under the specific action

The Specific Agreement may provide for access rights to background for other KIC Partners for other KIC added value activities under the specific action (under the framework partnership) (see Article 18 SGA).

31.5 Access rights for affiliated entities

Unless otherwise agreed in the Internal Agreement, access to background must also be given — under fair and reasonable conditions (see above Article 31.3) and unless it is subject to legal restrictions or limits, including those imposed by the rights of third parties (including personnel) — to affiliated entities⁷ established in an EU Member State or **‘associated country’**⁸, if this is needed to exploit the results generated by the KIC Partners to which they are affiliated.

Unless agreed otherwise (see above, Article 31.1), the affiliated entity concerned must make the request directly to the KIC Partner that holds the background.

Requests for access may be made — unless agreed otherwise — up to one year after the period set out in Article 3 SGA.

31.6 Access rights for third parties

⁷ As defined in the Article 2.1(2) of the Horizon 2020 Rules for Participation, Regulation (EU) No 1290/2013.

⁸ As defined in the Article 2.1(3) of the Horizon 2020 Rules for Participation, Regulation (EU) No 1290/2013.

The Specific Agreement may provide for access rights for third parties to background (see Article 18 SGA).

31.7 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the specific grant may be reduced (see Article 49).

Such breaches may also lead to any of the other measures described in Section 5.

SUBSUBSECTION 3 RIGHTS AND OBLIGATIONS RELATED TO RESULTS

ARTICLE 32 — OWNERSHIP OF RESULTS

32.1 Ownership by the KIC Partner that generates the results

Results of the specific action are owned by the KIC Partner that generates them.

‘Results’ means any (tangible or intangible) output of the specific action such as data, knowledge or information — whatever its form or nature, whether it can be protected or not — that is generated in the specific action, as well as any rights attached to it, including intellectual property rights.

32.2 Joint ownership by the several KIC Partners

Two or more KIC Partners own results jointly if:

- (a) they have jointly generated them and
- (b) it is not possible to:
 - (i) establish the respective contribution of each KIC Partner, or
 - (ii) separate them for the purpose of applying for, obtaining or maintaining their protection (see Article 33).

The joint owners must agree (in writing) on the allocation and terms of exercise of their joint ownership (**‘joint ownership agreement’**), to ensure compliance with their obligations under the Framework Partnership Agreement and the Specific Agreement.

Unless otherwise agreed in the joint ownership agreement, each joint owner may grant non-exclusive licences to third parties to exploit jointly-owned results (without any right to sub-license), if the other joint owners are given:

- (a) at least 45 days advance notice and
- (b) fair and reasonable compensation.

Once the results have been generated, joint owners may agree (in writing) to apply another regime than joint ownership (such as, for instance, transfer to a single owner (see Article 36) with access rights for the others).

32.3 Rights of third parties (including personnel)

If third parties (including personnel) may claim rights to the results, the KIC Partner concerned must ensure that it complies with its obligations under the Framework Partnership Agreement and the Specific Agreement.

If a third party generates results, the KIC Partner concerned must obtain all necessary rights (transfer, licences or other) from the third party, in order to be able to respect its obligations as if those results were generated by the KIC Partner itself.

If obtaining the rights is impossible, the KIC Partner must refrain from using the third party to generate the results.

32.4 EIT ownership, to protect results

32.4.1 The EIT may — with the consent of the KIC Partner concerned — **assume ownership** of the results of a specific action to protect them, if a KIC Partner intends — up to four years after the period set out in Article 3 of the Specific Agreement — to disseminate its results without protecting them, except in any of the following cases:

- (a) the lack of protection is because protecting the results is not possible, reasonable or justified (given the circumstances);
- (b) the lack of protection is because there is a lack of potential for commercial or industrial exploitation, or
- (c) the KIC Partner intends to transfer the results to another KIC Partner or third party established in an EU Member State or associated country, which will protect them.

Before the results are disseminated and unless any of the cases above under Points (a), (b) or (c) applies, the KIC Partner must formally notify the EIT and at the same time inform it of any reasons by the KIC Partner for refusing consent. The KIC Partner may refuse consent only if it can show that its legitimate interests would suffer significant harm.

If the EIT decides to assume ownership, it will formally notify the KIC Partner within 45 days of receiving notification.

No dissemination relating to these results may take place before the end of this period or, if the EIT takes a positive decision, until it has taken the necessary steps to protect the results.

32.4.2 The EIT may — with the consent of the KIC Partner concerned — assume ownership of the results of a specific action to protect them, if a KIC Partner intends — up to four years after

the period set out in Article 3 SGA — to stop protecting them or not to seek an extension of protection, except in any of the following cases:

- (a) the protection is stopped because of a lack of potential for commercial or industrial exploitation;
- (b) an extension would not be justified given the circumstances.

A KIC Partner that intends to stop protecting results or not seek an extension must — unless any of the cases above under Points (a) or (b) applies — formally notify the EIT at least 60 days before the protection lapses or its extension is no longer possible and at the same time inform it of any reasons for refusing consent. The KIC Partner may refuse consent only if it can show that its legitimate interests would suffer significant harm.

If the EIT decides to assume ownership, it will formally notify the KIC Partner concerned within 45 days of receiving notification.

32.5 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the specific grant may be reduced (see Article 49).

Such breaches may also lead to the any of the other measures described in Section 5.

ARTICLE 33 — PROTECTION OF RESULTS — VISIBILITY OF EU FUNDING

33.1 Obligation to protect the results

Each KIC Partner must examine the possibility of protecting its results of the specific action and must adequately protect them — for an appropriate period and with appropriate territorial coverage — if:

- (a) the results can reasonably be expected to be commercially or industrially exploited and
- (b) protecting them is possible, reasonable and justified (given the circumstances).

When deciding on protection, the KIC Partner must consider its own legitimate interests and the legitimate interests (especially commercial) of the other KIC Partners.

33.2 EIT ownership, to protect the results

If a KIC Partner intends not to protect its results, to stop protecting them or not seek an extension of protection, the EIT may — under certain conditions (see Article 32.4) — assume ownership to ensure their (continued) protection.

33.3 Information on EIT and EU funding

Applications for protection of results (including patent applications) filed by or on behalf of a KIC Partner must — unless the EIT requests or agrees otherwise or unless it is impossible — include the following:

“The activity leading to this application has received funding from the European Institute of Innovation and Technology (EIT) under grant agreement No [number]. This European body receives support from the European Union's the Horizon 2020 research and innovation programme”.

33.4 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the specific grant may be reduced (see Article 49).

Such a breach may also lead to any of the other measures described in Section 5.

ARTICLE 34 — EXPLOITATION OF RESULTS

34.1 Obligation to exploit the results

Each KIC Partner must — up to four years after the period set out in Article 3 SGA — take measures aiming to ensure ‘exploitation’ of its results of the specific action (either directly or indirectly, in particular through transfer or licensing; see Article 36) by:

- (a) using them in further research activities (outside the specific action);
- (b) developing, creating or marketing a product or process;
- (c) creating and providing a service;
- (d) using them in standardisation activities, or
- (e) using them in further knowledge triangle activities.

The Specific Agreement may provide for additional exploitation obligations (see Article 18 SGA).

This does not change the security obligations in Article 43, which still apply.

34.2 Results that could contribute to European or international standards — Information on EIT and EU Funding

The Specific Agreement may provide for additional exploitation provisions (see Article 18 SGA).

If results are incorporated in a standard, the KIC Partner concerned must — unless the EIT requests or agrees otherwise or unless it is impossible — ask the standardisation body to include the following statement in (information related to) the standard:

“Results incorporated in this standard received funding from the European Institute of Innovation and Technology (EIT) under grant agreement No [Number]. This European body receives support from the European Union's Horizon 2020 research and innovation programme”.

34.3 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the specific grant may be reduced in accordance with Article 49.

Such a breach may also lead to any of the other measures described in Section 5.

ARTICLE 35 — DISSEMINATION OF RESULTS — OPEN ACCESS — VISIBILITY OF EIT AND EU FUNDING

35.1 Obligation to disseminate results

Unless it goes against their legitimate interests, each KIC Partner must — as soon as possible — **‘disseminate’** its results of the specific action by disclosing them to the public by appropriate means (other than those resulting from protecting or exploiting the results), including in scientific publications (in any medium).

The Specific Agreement may provide for additional dissemination obligations (see Article 18 SGA).

This does not change the obligation to protect results in Article 33, the confidentiality obligations in Article 42, the security obligations in Article 43 or the obligations to protect personal data in Article 45, all of which still apply.

A KIC Partner that intends to disseminate its results must give advance notice to the other KIC Partners of — unless agreed otherwise — at least 45 days, together with sufficient information on the results it will disseminate.

Any other KIC Partner may object within — unless agreed otherwise — 30 days of receiving notification, if it can show that its legitimate interests in relation to the results or background would be significantly harmed. In such cases, the dissemination may not take place unless appropriate steps are taken to safeguard these legitimate interests.

If a KIC Partner intends not to protect its results, it may — under certain conditions (see Article 32.4.1) — need to formally notify the EIT before dissemination takes place.

35.2 Open access to scientific publications

Each KIC Partner must ensure open access (free of charge, online access for any user) to all peer-reviewed scientific publications relating to its results.

In particular, it must:

- (a) as soon as possible and at the latest on publication, deposit a machine-readable electronic copy of the published version or final peer-reviewed manuscript accepted for publication in a repository for scientific publications;

Moreover, the KIC Partner must aim to deposit at the same time the research data needed to validate the results presented in the deposited scientific publications.

- (b) ensure open access to the deposited publication — via the repository — at the latest:
 - (i) on publication, if an electronic version is available for free via the publisher, or
 - (ii) within six months of publication (twelve months for publications in the social sciences and humanities) in any other case.
- (c) ensure open access — via the repository — to the bibliographic metadata that identify the deposited publication.

The bibliographic metadata must be in a standard format and must include all of the following:

- the terms "EIT", "European Union (EU)" and "Horizon 2020";
- the name of the specific action, acronym and grant number;
- the publication date, and length of embargo period if applicable, and
- a persistent identifier.

35.3 Open access to research data

The Specific Agreement may provide for additional dissemination obligations concerning open access to research data (see Article 18 SGA).

35.4 Information on EIT and EU funding — Obligation and right to use the EIT KIC logo and EU emblem

Unless the EIT requests or agrees otherwise or unless it is impossible, any dissemination of results (in any form, including electronic) must:

- (a) display the EIT KIC logo as adopted by the EIT (hereafter referred to as “EIT KIC logo”);
- (b) display the EU emblem and

(c) include the following text:

“This activity has received funding from the European Institute of Innovation and Technology (EIT) under grant agreement No [Number]. This European body receives support from the Horizon 2020 research and innovation programme”.

When displayed together with another logo, the EIT KIC logo and EU emblem must have appropriate prominence.

For the purposes of their obligations under this Article, the KIC Partners may use the EIT KIC logo and the EU emblem without first obtaining approval from the EIT or the Commission.

This does not however give them the right to exclusive use.

Moreover, they may not appropriate the EIT KIC logo and the EU emblem (or any similar trademark or logo), either by registration or by any other means.

35.5 Disclaimer excluding EIT responsibility

Any dissemination of results must indicate that it reflects only the author's view and that the EIT is not responsible for any use that may be made of the information it contains.

35.6 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the specific grant may be reduced (see Article 49).

Such a breach may also lead to any of the other measures described in Section 5.

ARTICLE 36 — TRANSFER AND LICENSING OF RESULTS

36.1 Transfer of ownership

Each KIC Partner may transfer ownership of its results of the specific action.

It must however ensure that its obligations under Articles 32.2, 32.4, 33, 34, 35, 36 and 37 also apply to the new owner and that this owner has the obligation to pass them on in any subsequent transfer.

This does not change the security obligations in Article 43, which still apply.

Unless agreed otherwise (in writing) for specifically-identified third parties or unless impossible under applicable laws on mergers and acquisitions, a KIC Partner that intends to transfer ownership of results must give at least 45 days advance notice (or less if agreed in writing) to the other KIC Partners that still have (or still may request) access rights to the results. This

notification must include sufficient information on the new owner to enable any KIC Partner concerned to assess the effects on its access rights.

Unless agreed otherwise (in writing) for specifically-identified third parties, any other KIC Partner may object within 30 days of receiving notification (or less if agreed in writing), if it can show that the transfer would adversely affect its access rights. In this case, the transfer may not take place until agreement has been reached between the KIC Partners concerned.

36.2 Granting licenses

Each KIC Partner may grant licences to its results of the specific action (or otherwise give the right to exploit them), if:

- (a) this does not impede access rights (see Article 37) and
- (b) the KIC Partner complies with its additional exploitation obligations (if any) (see Article 34.1).

In addition to Points (a) and (b), exclusive licences for results may be granted only if all the other KIC Partners concerned have waived their access rights (see Article 37.1).

This does not change the dissemination obligations in Article 35 or security obligations in Article 43, which still apply.

36.3 EIT right to object to transfers or licensing

The Specific Agreement may provide for the right of the EIT to object to a transfer of ownership or the licencing of results (see Article 18 SGA).

36.4 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the specific grant may be reduced (see Article 49).

Such a breach may also lead to any of the other measures described in Section 5.

ARTICLE 37 — ACCESS RIGHTS TO RESULTS

37.1 Exercise of access rights — Waiving of access rights — No sub-licensing

The conditions set out in Article 31.1 apply.

The obligations set out in this Article do not change the security obligations in Article 43, which still apply.

37.2 Access rights for the other KIC Partners, for implementing their own tasks under the specific action

The KIC Partners participating in the same KIC added value activity must give each other access — on a royalty-free basis — to results needed for implementing their own tasks in the same KIC added value activity under the specific action.

37.3 Access rights for the other KIC Partners, for exploiting their own results

For each specific action, the KIC Partners participating in the same KIC added value activity must give each other — under fair and reasonable conditions (see Article 31.3) — access to results needed for exploiting their own results from the same KIC added value activity.

Requests for access may be made — unless agreed otherwise — up to one year after the period set out in Article 3 SGA.

37.4 Access rights for the other KIC Partners, for other KIC added value activities under the specific action

The Specific Agreement may provide for access rights to results for the other KIC Partners for other KIC added value activities under the specific action (under the framework partnership) (see Article 18 SGA).

37.5 Access rights of affiliated entities

Unless agreed otherwise in the Internal Agreement, access to results must also be given — under fair and reasonable conditions (see Article 31.3) — to affiliated entities established in an EU Member State or associated country, if this is needed for those entities to exploit the results generated by the KIC Partners to which they are affiliated.

Unless agreed otherwise (see Article 37.1), the affiliated entity concerned must make any such request directly to the KIC Partner that owns the results.

Requests for access may be made — unless agreed otherwise — up to one year after the period set out in Article 3 SGA.

37.6 Access rights for the EU institutions and bodies and EU Member States

The Specific Agreement may provide for access rights for EU institutions and bodies and EU Member States to results (see Article 18 SGA).

37.7 Access rights for third parties

The Specific Agreement may provide for access rights for third parties to results (see Article 18 SGA).

37.8 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the specific grant may be reduced (see Article 49).

Such breaches may also lead to any of the other measures described in Section 5.

SUBSECTION 4 OTHER RIGHTS AND OBLIGATIONS

ARTICLE 38 — RECRUITMENT AND WORKING CONDITIONS FOR RESEARCHERS

38.1 Obligation to take measures to implement the European Charter for Researchers and Code of Conduct for the Recruitment of Researchers

The KIC Partners must take all measures to implement the principles set out in the Commission Recommendation on the European Charter for Researchers and the Code of Conduct for the Recruitment of Researchers⁹, in particular regarding:

- working conditions;
- transparent recruitment processes based on merit, and
- career development.

The KIC Partners must ensure that researchers and third parties involved in the specific action are aware of them.

38.2 Consequences of non-compliance

If a KIC Partner breaches its obligations under this Article, the EIT may apply any of the measures described in Section 5.

ARTICLE 39 — GENDER EQUALITY

39.1 Obligation to aim for gender equality

The KIC Partners must take all measures to promote equal opportunities between men and women in the implementation of the specific actions. They must aim, to the extent possible, for a gender balance at all levels of personnel assigned to the specific actions, including at supervisory and managerial level.

39.2 Consequences of non-compliance

If a KIC Partner breaches its obligations under this Article, the EIT may apply any of the measures described in Section 5.

⁹ Commission Recommendation 2005/251/EC of 11 March 2005 on the European Charter for Researchers and on a Code of Conduct for the Recruitment of Researchers (OJ L 75, 22.3.2005, p. 67).

ARTICLE 40 — ETHICS AND RESEARCH INTEGRITY

40.1 Obligation to comply with ethical and research integrity principles

The KIC Partners must carry out the specific actions in compliance with:

- (a) ethical principles (including the highest standards of research integrity) and
- (b) applicable international, EU and national law.

Funding will not be granted for activities carried out outside the EU if they are prohibited in all Member States or for activities which destroy human embryos (for example, for obtaining stem cells).

The KIC Partners must ensure that the activities under the specific actions have an exclusive focus on civil applications.

The KIC Partners must ensure that the activities under the specific actions do not:

- (a) aim at human cloning for reproductive purposes;
- (b) intend to modify the genetic heritage of human beings which could make such changes heritable (with the exception of research relating to cancer treatment of the gonads, which may be financed), or
- (c) intend to create human embryos solely for the purpose of research or for the purpose of stem cell procurement, including by means of somatic cell nuclear transfer.

The partners must respect the highest standards of research integrity — as set out, for instance, in the European Code of Conduct for Research Integrity¹⁰.

This implies notably compliance with the following essential principles:

- honesty;
- reliability;
- objectivity;
- impartiality;
- open communication;
- duty of care;

¹⁰ The European Code of Conduct for Research Integrity of ALLEA (All European Academies) and ESF (European Science Foundation) of March 2011.
http://ec.europa.eu/research/participants/data/ref/h2020/other/hi/h2020-ethics_code-of-conduct_en.pdf.

- fairness and
- responsibility for future science generations.

This means that the partners must ensure that persons carrying out research tasks:

- present their research goals and intentions in an honest and transparent manner;
- design their research carefully and conduct it in a reliable fashion, taking its impact on society into account;
- use techniques and methodologies (including for data collection and management) that are appropriate for the field(s) concerned;
- exercise due care for the subjects of research — be they human beings, animals, the environment or cultural objects;
- ensure objectivity, accuracy and impartiality when disseminating the results;
- allow — in addition to the open access obligations under Article 31 (if any) as much as possible and taking into account the legitimate interest of the partners — access to research data, in order to enable research to be reproduced;
- make the necessary references to their work and that of other researchers;
- refrain from practicing any form of plagiarism, data falsification or fabrication;
- avoid double funding, conflicts of interest and misrepresentation of credentials or other research misconduct.

40.2 Activities raising ethical issues

Activities raising ethical issues must comply with the '**ethics requirements**' set out in Annex 1 to the Specific Agreements (if applicable).

Before the beginning of an activity raising an ethical issue, each KIC Partner must have obtained:

- (a) any ethics committee opinion required under national law, and
 - (c) any notification or authorisation for activities raising ethical issues required under national and/or European law
- needed for implementing the action tasks in question.

The documents must be kept on file and be submitted upon request by the KIC LE to the EIT (see Article 52). If they are not in English, they must be submitted together with an English summary which shows that the action tasks in question are covered and includes the conclusions of the committee or authority concerned (if available).

40.3 Activities involving human embryos or human embryonic stem cells

Activities involving research on human embryos or human embryonic stem cells may be carried out, in addition to Article 40.1, only if:

- they are set out in Annex 1 to the Specific Agreements or
- if the KIC LE has obtained explicit approval (in writing) from the EIT (see Article 58).

40.4 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the specific grant may be reduced (see Article 49) and the Specific Agreement concerned or participation of the KIC Partner may be terminated (see Article 56).

Such breaches may also lead to any of the other measures described in Section 5.

ARTICLE 41 — CONFLICT OF INTERESTS

41.1 Obligation to avoid a conflict of interests

The KIC Partners must take all measures to prevent any situation where the impartial and objective implementation of the specific actions is compromised for reasons involving economic interest, political or national affinity, family or emotional ties or any other shared interest ('conflict of interests').

They must formally notify to the EIT without delay any situation constituting or likely to lead to a conflict of interests and immediately take all the necessary steps to rectify this situation.

The EIT may verify that the measures taken are appropriate and may require additional measures to be taken by a specified deadline.

41.2 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the grant may be reduced (see Article 49) and the Specific Agreement or participation of the KIC Partner may be terminated (see Article 56).

Such breaches may also lead to any of the other measures described in Section 5.

ARTICLE 42 — CONFIDENTIALITY

42.1 General obligation to maintain confidentiality

During implementation of the specific action and for four years after the period set out in Article 3 SGA, the parties must keep confidential any data, documents or other material (in any form) that is identified as confidential at the time it is disclosed (**‘confidential information’**).

If a KIC Partner requests, the EIT may agree to keep such information confidential for an additional period beyond the initial four years.

If information has been identified as confidential only orally, it will be considered to be confidential only if this is confirmed in writing within 15 days of the oral disclosure.

Unless otherwise agreed between the parties, they may use confidential information only to implement the Framework Partnership Agreement or Specific Agreement.

The KIC Partners may disclose confidential information to their personnel or third parties involved in the specific action only if they:

- (a) need to know to implement the Framework Partnership Agreement or Specific Agreements and
- (b) are bound by an obligation of confidentiality.

This does not change the security obligations in Article 43, which still apply.

The EIT may disclose confidential information to its staff, other EU institutions and bodies. It may disclose confidential information to third parties, if:

- (a) this is necessary to implement the Framework Partnership Agreement or Specific Agreement or safeguard the EIT’s financial interests and
- (b) the recipients of the information are bound by an obligation of confidentiality.

The confidentiality obligations no longer apply if:

- (a) the disclosing party agrees to release the other party;
- (b) the information was already known by the recipient or is given to him without obligation of confidentiality by a third party that was not bound by any obligation of confidentiality;
- (c) the recipient proves that the information was developed without the use of confidential information;
- (d) the information becomes generally and publicly available, without breaching any confidentiality obligation, or

- (e) the disclosure of the information is required by EU or national law.

42.2 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the specific grant may be reduced (see Article 49).

Such breaches may also lead to any of the other measures described in Section 5.

ARTICLE 43 — SECURITY-RELATED OBLIGATIONS

43.1 Results with a security recommendation

For security recommendations restricting disclosure or dissemination, the KIC Partners must - before disclosure or dissemination to a third party (including linked third parties, such as affiliated entities) - inform the KIC LE which must request written approval from the EIT.

In case of change to the security context, the KIC Partners must inform the KIC LE which must immediately inform the EIT and, if necessary, request for Annex 1 SGA to be amended (see Article 61).

43.2 Classified information

The KIC Partners must comply with the security classification set out in Annex 1 SGA ('security aspect letter (SAL)' and 'security classification guide (SCG)').

Information that is classified must be treated in accordance with the security aspect letter (SAL) and Decision No 2015/444¹¹ — until it is declassified.

Action tasks involving classified information may not be subcontracted without prior explicit written approval from the EIT.

In case of change to the security context, the KIC Partners must inform the KIC LE which must immediately inform the EIT and, if necessary, request for Annex 1 SGA to be amended (see Article 61).

43.3 Activities involving dual-use goods or dangerous materials and substances

Activities involving dual-use goods or dangerous materials and substances must comply with applicable EU, national and international law.

Before the beginning of the activity, the KIC LE must submit to the EIT (see Article 58) a copy of any export or transfer licences required under EU, national or international law.

43.4 Consequences of non-compliance

¹¹ Commission Decision 2015/444/EC, Euratom of 13 March 2015 on the security rules for protecting EU classified information.

If a KIC Partner breaches any of its obligations under this Article, the specific grant may be reduced (see Article 49).

Such breaches may also lead to any of the other measures described in Section 5.

ARTICLE 44 — PROMOTING THE KIC — VISIBILITY OF THE EIT AND EU FUNDING

44.1 Communication activities by the KIC Partners

44.1.1 Obligation to promote the specific action and its results

The KIC Partners must promote the specific action and its results by providing targeted information to multiple audiences (including the media and the public) in a strategic and effective manner.

This does not change the specific dissemination obligations in Article 35, the confidentiality obligations in Article 42 or the security obligations in Article 43, all of which still apply.

Before engaging in a communication activity expected to have a major media impact, the KIC Partners must inform the EIT (see Article 58).

44.1.2 Information on EIT and EU funding — Obligation and right to use the EIT KIC logo and the EU emblem

Unless the EIT requests or agrees otherwise or unless it is impossible, any communication activity related to the specific action (including in electronic form, via social media, etc.) as well as any infrastructure, equipment and major results funded by the specific grants must:

- (a) display the EIT KIC logo as adopted by the EIT;
- (b) display the EU emblem;
- (c) follow the brand guidelines outlined in the EIT Community Brand Book as adopted by the EIT; and
- (d) include the following text:

For communication activities: ‘This activity has received funding from the European Institute of Innovation and Technology (EIT). This body of the European Union receives support from the European Union's Horizon 2020 research and innovation programme.’

For infrastructure, equipment and major results: ‘This *[infrastructure]* *[equipment]* *[insert type of result]* is part of an activity that has received funding from the European Institute of Innovation and Technology (EIT). This body of

the European Union receives support from the European Union's Horizon 2020 research and innovation programme.'.

When displayed together with another logo, the EIT KIC logo and the EU emblem must have appropriate prominence.

For the purposes of their obligations under this Article, the KIC Partners may use the EIT KIC logo and the EU emblem without prior approval from the EIT.

This does not, however, give them the right to exclusive use.

Moreover, they may not appropriate the EIT KIC logo or the EU emblem (or any similar trademark or logo), either by registration or by any other means.

44.1.3 Disclaimer excluding EIT responsibility

Any communication activity related to the specific action must indicate that it reflects only the author's view and that the EIT is not responsible for any use that may be made of the information it contains.

44.2 Communication activities by the EIT and the Commission

44.2.1 Right to use KIC's materials, documents or information

The EIT and the Commission may use, for its communication and dissemination activities, information relating to the specific action, documents notably summaries for publication and public deliverables as well as any other material, such as pictures or audio-visual material that it receives from any KIC Partner (including in electronic form).

This does not change the confidentiality obligations in Article 42 and the security obligations in Article 43, all of which still apply.

If the EIT's or the Commission's use of these materials, documents or information would risk compromising legitimate interests, the KIC Partner concerned may request the EIT or the Commission not to use it (see Article 58).

The right to use a KIC Partner's materials, documents and information includes:

- (a) **use for its own purposes** (in particular, making them available to persons working for the EIT, the Commission or any other EU institution, agency or body, or institutions in EU Member States; and copying or reproducing them in whole or in part, in unlimited numbers);
- (b) **distribution to the public** (in particular, publication as hard copies and in electronic or digital format, publication on the internet, as a downloadable or non-downloadable file, broadcasting by any channel, public display or presentation, communicating

through press information services, or inclusion in widely accessible databases or indexes);

- (c) **editing or redrafting** for communication and publicising activities (including shortening, summarising, inserting other elements (such as meta-data, legends, other graphic, visual, audio or text elements), extracting parts (e.g. audio or video files), dividing into parts, use in a compilation);
- (d) **translation**;
- (e) giving **access in response to individual requests** under Regulation No 1049/2001 , without the right to reproduce or exploit;
- (f) **storage** in paper, electronic or other form;
- (g) **archiving**, in line with applicable document-management rules, and
- (h) the right to authorise **third parties** to act on its behalf or sub-license the modes of use set out in Points (b),(c),(d) and (f) to third parties, if needed for the communication and publicising activities of the EIT or the Commission.

If the right of use is subject to rights of a third party (including personnel of the KIC Partner), the KIC Partner must ensure that it complies with its obligations under the Framework Partnership Agreement and the Specific Agreement (in particular, by obtaining the necessary approval from the third parties concerned).

Where applicable (and if provided by the KIC Partners), the EIT or the Commission will insert the following information:

"© - [year] - [name of the copyright owner]. All rights reserved. Licensed to the European Institute of Innovation and Technology (EIT) and the European Union (EU) under conditions."

44.3 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the specific grant may be reduced (see Article 49).

Such breaches may also lead to any of the other measures described in Section 5.

ARTICLE 45 — PROCESSING OF PERSONAL DATA

45.1 Processing of personal data by the EIT and the Commission

Any personal data under the Framework Partnership Agreement and the Specific Agreements will be processed by the EIT or the Commission under Regulation No 45/2001¹² and according to the **'notifications of the processing operations'** to the Data Protection Officer (DPO) of the EIT or of the Commission (publicly accessible in the DPO register).

Such data will be processed by the **'data controller'** of the EIT or of the Commission for the purposes of implementing, managing and monitoring of those agreements or protecting the financial interests of the EIT, the EU or Euratom (including checks, reviews, audits and investigations; see Article 28).

The persons whose personal data are processed have the right to access and correct their own personal data. For this purpose, they must send any queries about the processing of their personal data to the data controller, via the contact point indicated in the **privacy statement(s)** that are published on the EIT's and the Commission's website.

They also have the right to have recourse at any time to the European Data Protection Supervisor (EDPS).

45.2 Processing of personal data by the KIC Partners

The KIC Partners must process personal data under the Framework Partnership Agreement and Specific Agreements in compliance with the applicable EU and national law on data protection (including authorisations or notification requirements).

The KIC Partners may grant their personnel access only to data that is strictly necessary for implementing, managing and monitoring of those agreements.

The KIC Partners must inform the personnel whose personal data are collected and processed by the EIT or the Commission. For this purpose, they must provide them with the privacy statement(s) (see above), before transmitting their data to the EIT or the Commission.

45.3 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under Article 45.2, the EIT may apply any of the measures described in Section 5.

ARTICLE 46 — ASSIGNMENTS OF CLAIMS FOR PAYMENT AGAINST THE EIT

The KIC Partners may not assign any of their claims for payment against the EIT to any third party, except if approved by the EIT on the basis of a reasoned, written request by the KIC LE (on behalf of the KIC Partner concerned).

If the EIT has not accepted the assignment or the terms of it are not observed, the assignment will have no effect on it.

¹² Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data (OJ L 8, 12.01.2001, p. 1).

In no circumstances will an assignment release the KIC Partners from their obligations towards the EIT.

SECTION 4 DIVISION OF KIC PARTNERS' ROLES AND RESPONSIBILITIES

ARTICLE 47 — DIVISION OF KIC PARTNERS' ROLES AND RESPONSIBILITIES

47.1 Roles and responsibilities towards the EIT

The KIC Partners have full responsibility for implementing the action ("action" in the context of this article means the particular KIC added value activity in which the KIC Partner participates) as described in Annex 1 to the Specific Agreement and complying with the Framework Partnership Agreement and the Specific Agreement.

The KIC Partners are jointly and severally liable for the **technical implementation** of the action as described in Annex 1 to the Specific Agreement. If a KIC Partner fails to implement its part of the action, the other KIC Partners become responsible for implementing this part (without being entitled to any additional EIT funding for doing so), unless the EIT expressly relieves them of this obligation.

The **financial responsibility** of each KIC Partner is governed by Article 50.

47.2 Internal division of roles and responsibilities

The internal roles and responsibilities of the KIC Partners are divided as follows:

(a) Each KIC Partner must:

- (i) not applicable;
- (ii) inform the KIC LE immediately of any events and circumstances likely to affect significantly or delay the implementation of a specific action (see Article 23);
- (iii) submit to the KIC LE in good time:
 - individual financial statements for itself and its linked third parties and, if required, certificates on the financial statements (see Article 16 SGA);
 - the data needed to draw up the technical report (see Article 16 SGA);
 - ethics committee opinions and notifications or authorisations for activities raising ethical issues (see Article 40);
 - any other documents or information required by the EIT under the Framework Partnership Agreement or the Specific Agreement, unless those

agreements require the KIC Partner to submit this information directly to the EIT.

(b) The KIC LE must:

- (i) monitor that the specific action is implemented properly (see Article 12);
- (ii) act as the intermediary for all communications between the KIC Partners and the EIT (in particular, providing the EIT with the information described in Article 23), unless the Framework Partnership Agreement or the Specific Agreement specify otherwise;
- (iii) request and review any documents or information required by the EIT and verify their completeness and correctness and consolidate them before passing it on to the EIT;
- (iv) submit the deliverables and reports to the EIT (see Articles 15 and 16 SGA);
- (v) ensure that all payments are made to the other KIC Partners without unjustified delay (see Article 17 SGA);
- (vi) inform the EIT of the amounts paid to each KIC Partner, when required under the Framework Partnership Agreement (see Articles 50 and 56) or requested by the EIT.

The KIC LE may not delegate or subcontract the above-mentioned tasks to any other KIC Partner or third party (including linked third parties).

47.3 Internal arrangements

The KIC Partners must have internal arrangements regarding their operation and co-ordination to ensure that the specific actions are implemented properly (see Article 4).

47.4 Relationship with complementary beneficiaries — Collaboration agreement

Not applicable

47.5 Relationship with participants of a joint action — Coordination agreement

Not applicable

SECTION 5 REJECTION OF COSTS — REDUCTION OF THE GRANT — RECOVERY — SANCTIONS — DAMAGES — SUSPENSION — TERMINATION — FORCE MAJEURE

SUBSECTION 1 REJECTION OF COSTS — REDUCTION OF THE GRANT — RECOVERY — SANCTIONS

ARTICLE 48 — REJECTION OF INELIGIBLE COSTS

48.1 Conditions

The EIT will — after **termination of the participation of a KIC partner**, at the time of the **payment of the balance** or **afterwards** — reject any costs for a specific action which are ineligible (see Article 5 SGA), in particular, following checks, reviews, audits or investigations (see Article 28).

The rejection may also be based on the extension of findings from other grants to a specific grant (see Article 28.5.2).

48.2 Ineligible costs to be rejected — Calculation — Procedure

Ineligible costs will be rejected in full, except for lump sum costs, which will be rejected proportionally to the tasks or parts of the specific action not implemented.

If the rejection of costs does not lead to a recovery (see Article 50), the EIT will formally notify the KIC LE or the KIC Partner concerned of the rejection of costs, the amounts and the reasons why (if applicable, together with the notification of amounts due; see Article 27). The KIC LE or the KIC Partner concerned may — within 30 days of receiving notification — formally notify the EIT of its disagreement and the reasons why.

If the rejection of costs leads to a recovery, the EIT will follow the contradictory procedure with 'pre-information letter' set out in Article 50.

48.3 Effects

If the EIT rejects costs at the time of the **payment of the balance**, it will deduct them from the total eligible costs declared, for the specific action, in the financial statement (see Article 16 SGA). It will then calculate the payment of the balance (see Article 17 SGA).

If the EIT rejects costs after **termination of the participation of a partner**, it will deduct them from the costs declared by the partner and its linked third parties in the termination report and include the rejection in the calculation after termination (see Article 56.2 and 56.3).

If the EIT rejects costs **after the payment of the balance**, it will deduct the amount rejected from the total eligible costs declared, by the KIC Partner, in the financial statement. It will then calculate the revised final grant amount as set out in Article 10.4.

ARTICLE 49 — REDUCTION OF THE GRANT

49.1 Conditions

49.1.1 The EIT may — **after termination of the participation of a KIC Partner, at the payment of the balance** or **afterwards** — reduce a specific grant, if:

- (a) a partner (or a natural person who has the power to represent or take decisions on its behalf) has committed :
 - (i) substantial errors, irregularities or fraud or
 - (ii) serious breach of obligations under the Framework Partnership Agreement or a Specific Agreement or during the award procedure (including improper implementation of the specific action, submission of false information, failure to provide required information, breach of ethical principles) or
- (b) a partner (or a natural person who has the power to represent or take decision on its behalf) has committed – in other EU or Euratom grants awarded to it under similar conditions – systemic or recurrent errors, irregularities, fraud or serious breach of obligations that have a material impact on the specific grant (**extension of findings from other grants to the specific grant**; see Article 28.5.2).

49.2 Amount to be reduced — Calculation — Procedure

The amount of the reduction will be proportionate to the seriousness of the errors, irregularities or fraud or breach of obligations.

Before reduction of the specific grant, the EIT will formally notify a '**pre-information letter**' to the KIC LE or the KIC Partner concerned:

- informing it of its intention to reduce the grant, the amount it intends to reduce and the reasons why and
- inviting it to submit observations within 30 days of receiving notification.

If the EIT does not receive any observations or decides to pursue reduction despite the observations it has received, it will formally notify **confirmation** of the reduction (if applicable, together with the notification of amounts due; see Article 17 SGA).

49.3 Effects

If the EIT reduces the specific grant after termination of the participation of a KIC Partner, it will calculate the reduced grant amount for that partner and then determine the amount due to that partner (see Article 56.2 and 56.3).

If the EIT reduces the specific grant **at the time of the payment of the balance**, it will calculate the reduced grant amount for the specific action and then determine the amount due as payment of the balance (see Article 10.3.4 and Article 17 SGA).

If the EIT reduces the specific grant **after the payment of the balance**, it will calculate the revised final grant amount for the KIC Partner concerned (see Article 10.4). If the revised final grant

amount for the KIC Partner concerned is lower than its share of the final grant amount, the EIT will recover the difference (see Article 50).

ARTICLE 50 — RECOVERY OF UNDUE AMOUNTS

50.1 Amount to be recovered — Calculation — Procedure

The EIT will — **after termination of the participation of a KIC Partner, at the payment of the balance or afterwards** — claim back any amount that was paid but is not due for a specific grant under the Framework Partnership Agreement and the Specific Agreement concerned.

Each KIC Partner's financial responsibility in case of recovery is limited to its own debt including undue amounts paid by the EIT for costs declared by its linked third parties, except for the amount retained for the Guarantee Fund (see Article 17 SGA).

50.1.1 Recovery after termination of a KIC Partner's participation

If recovery takes place after termination of a KIC Partner's participation (including the KIC LE), the EIT will claim back the undue amount from the KIC Partner concerned by formally notifying it a debit note (see Article 56.2 and 56.3). This note will specify the amount to be recovered, the terms and the date for payment.

If payment is not made by the date specified in the debit note, the EIT will recover the amount as follows:

- (a) by **'offsetting'** it — without the KIC Partner's consent — against any amounts owed to the KIC Partner concerned by the EIT.

In exceptional circumstances, to safeguard the EU's financial interests, the EIT may offset before the payment date specified in the debit note;

- (b) if a linked third party has accepted joint and several liability (see Article 19), by **holding the third party liable** up to the maximum EIT contribution indicated, for the linked third party, in the estimated budget (see Annex 2 SGA);

- (c) **taking legal action** (see Article 63).

If payment is not made by the date specified in the debit note, the amount to be recovered (see above) will be increased by **late-payment interest** at the rate set out in Article 17 SGA, from the day following the payment date in the debit note, up to and including the date the EIT receives full payment of the amount.

Partial payments will be first credited against expenses, charges and late-payment interest and then against the principal.

Bank charges incurred in the recovery process will be borne by the KIC Partner, unless Directive 2007/64/EC¹³ applies.

50.1.2 Recovery at payment of the balance

If the payment of the balance takes the form of a recovery (see Article 17 SGA), the EIT will formally notify a '**pre-information letter**' to the KIC LE:

- informing it of its intention to recover, the amount due as the balance and the reasons why;
- specifying that it intends to deduct the amount to be recovered from the amount retained for the Guarantee Fund;
- requesting the KIC LE to submit a report on the distribution of payments to the KIC Partners within 30 days of receiving notification, and
- inviting the KIC LE to submit observations within 30 days of receiving notification.

If no observations are submitted or the EIT decides to pursue recovery despite the observations it has received, it will **confirm recovery** (together with the notification of amounts due; see Article 17 SGA) and:

- pay the difference between the amount to be recovered and the amount retained for the Guarantee Fund, **if the difference is positive** or
- formally notify to the KIC LE a **debit note** for the difference between the amount to be recovered and the amount retained for the Guarantee Fund, **if the difference is negative**. This note will also specify the terms and the date for payment.

If the KIC LE does not repay the EIT by the date in the debit note and has not submitted the report on the distribution of payments: the EIT will **recover** the amount set out in the debit note from the KIC LE (see below).

If the KIC LE does not repay the EIT by the date in the debit note, but has submitted the report on the distribution of payments: the EIT will

- a) identify the KIC Partners for which the amount calculated as follows is negative:

{{{KIC Partner's costs declared in the final summary financial statement and approved by the EIT multiplied by the reimbursement rate set out in Article 4 SGA for the KIC Partner concerned

plus

¹³ Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC (OJ L 319, 05.12.2007, p. 1).

its linked third parties' costs declared in the final summary financial statement and approved by the EIT multiplied by the reimbursement rate set out in Article 4 SGA for each linked third party concerned}

divided by

the EU contribution for the specific action calculated according to Article 10.3.1}

multiplied by

the final grant amount (see Article 10.3)),

minus

{pre-financing payment received by the KIC Partner}}.

- b) formally notify to each KIC Partner identified according to point (a) a debit note specifying the terms and date for payment. The amount of the debit note is calculated as follows:

{amount calculated according to point (a) for the KIC Partner concerned
divided by

the sum of the amounts calculated according to point (a) for all the KIC Partners identified according to point (a)}

multiplied by

the amount set out in the debit note formally notified to the KIC LE}.

If payment is not made by the date specified in the debit note, the EIT will recover the amount:

- (a) by **offsetting** it — without the KIC Partner's consent — against any amounts owed to the KIC Partner concerned by the EIT.

In exceptional circumstances, to safeguard the EU's financial interests, the EIT may offset before the payment date specified in the debit note;

- (b) by **drawing on the Guarantee Fund**. The EIT will formally notify the KIC Partner concerned the debit note on behalf of the Guarantee Fund and recover the amount:
- (i) if a linked third party has accepted joint and several liability (see Article 19), by **holding the third party liable** up to the maximum EIT contribution indicated, for the linked third party, in the estimated budget (see Annex 2 SGA);
 - (ii) by taking legal action (see Article 63).

OPTION 2: Not applicable.

If payment is not made by the date in the debit note, the amount to be recovered (see above) will be increased by **late-payment interest** at the rate set out in Article 17 SGA, from the day following the payment date in the debit note, up to and including the date the EIT receives full payment of the amount.

Partial payments will be first credited against expenses, charges and late-payment interest and then against the principal.

Bank charges incurred in the recovery process will be borne by the KIC Partner, unless Directive 2007/64/EC applies.

50.1.3 Recovery of amounts after payment of the balance

If for a KIC Partner, the revised final grant amount (see Article 10.4) is lower than its share of the final grant amount, it must repay the difference to the EIT.

The KIC Partner's share of the final grant amount is calculated as follows:

{{KIC Partner's costs declared in the final summary financial statement and approved by the EIT multiplied by the reimbursement rate set out in Article 4 SGA for the KIC Partner concerned

plus

its linked third parties' costs declared in the final summary financial statement and approved by the EIT multiplied by the reimbursement rate set out in Article 4 SGA for each linked third party concerned}

divided by

the EIT contribution for the action calculated according to Article 10.3.1}

multiplied by

the final grant amount (see Article 10.3)).

If the KIC LE has not distributed amounts received (see Article 17 SGA), the EIT will also recover these amounts.

The EIT will formally notify a **pre-information letter** to the KIC Partner concerned:

- informing it of its intention to recover, the due amount and the reasons why and

- inviting it to submit observations within 30 days of receiving notification.

If no observations are submitted or the EIT decides to pursue recovery despite the observations it has received, it will **confirm** the amount to be recovered and formally notify to the KIC Partner concerned a **debit note**. This note will also specify the terms and the date for payment.

If payment is not made by the date specified in the debit note, the EIT will **recover** the amount:

- (a) by **offsetting** — without the KIC Partner's consent — it against any amounts owed to the KIC Partner concerned by the EIT.

In exceptional circumstances, to safeguard the EU's financial interests, the EIT may offset before the payment date specified in the debit note;

- (b) by **drawing on the Guarantee Fund**. The EIT will formally notify the KIC Partner concerned the debit note on behalf of the Guarantee Fund and recover the amount:
 - (i) if a linked third party has accepted joint and several liability (see Article 19), by **holding the third party liable** up to the maximum EIT contribution indicated, for the linked third party, in the estimated budget (see Annex 2 SGA);
 - (ii) by **taking legal action** (see Article 63).

If payment is not made by the date in the debit note, the amount to be recovered (see above) will be increased by **late-payment interest** at the rate set out in Article 17 SGA, from the day following the date for payment in the debit note, up to and including the date the EIT receives full payment of the amount.

Partial payments will be first credited against expenses, charges and late-payment interest and then against the principal.

Bank charges incurred in the recovery process will be borne by the KIC Partner, unless Directive 2007/64/EC applies.

ARTICLE 51 — ADMINISTRATIVE SANCTIONS

In addition to contractual measures, the EIT may also adopt administrative sanctions under Articles 106 and 131(4) of the Financial Regulation No 966/2012 (i.e. exclusion from future procurement contracts, grants and expert contracts and/or financial penalties).

SUBSECTION 2 LIABILITY FOR DAMAGES

ARTICLE 52 — LIABILITY FOR DAMAGES

52.1 Liability of the EIT

The EIT cannot be held liable for any damage caused to the KIC Partners or to third parties as a consequence of implementing the Framework Partnership Agreement or a Specific Agreement, including for gross negligence.

The EIT cannot be held liable for any damage caused by any of the KIC Partners or third parties involved in the specific action, as a consequence of implementing the Framework Partnership Agreement or a Specific Agreement.

52.2 Liability of the KIC Partners

Except in case of force majeure (see Article 57), the KIC Partners must compensate the EIT for any damage the EIT sustains as a result of the implementation of a specific action or because a specific action was not implemented in full compliance with the Framework Partnership Agreement or a Specific Agreement.

SUBSECTION 3 SUSPENSION AND TERMINATION

ARTICLE 53 — SUSPENSION OF PAYMENT DEADLINE

53.1 Conditions

The EIT may — at any moment — suspend the payment deadline in a specific grant (see Article 17 SGA) if a request for payment (see Article 16 SGA) cannot be approved because:

- (a) it does not comply with the provisions of the Specific Agreement (see Article 16 SGA);
- (b) the final report has not been submitted or is not complete or additional information is needed, or
- (c) there is doubt about the eligibility of the costs declared in the financial statements and additional checks, reviews, audits or investigations are necessary.

53.2 Procedure

The EIT will formally notify the KIC LE of the suspension and the reasons why.

The suspension will **take effect** the day notification is sent by the EIT (see Article 58).

If the conditions for suspending the payment deadline are no longer met, the suspension will be **lifted** — and the remaining period will resume.

If the suspension exceeds two months, the KIC LE may request the EIT if the suspension will continue.

If the payment deadline has been suspended due to the non-compliance of the final report (see Article 16 SGA) and the revised report or statement is not submitted or was submitted but

is also rejected, the EIT may also terminate the Specific Agreement concerned or the participation of the KIC Partner (see Article 56.3.1(j)).

ARTICLE 54 — SUSPENSION OF PAYMENTS

54.1 Conditions

The EIT may — at any moment — suspend payments for a specific grant, in whole or in part and for one or more KIC Partners, if:

- a) a KIC Partner (or a natural person who has the power to represent or take decisions on its behalf) has committed or is suspected of having committed
 - (i) substantial errors, irregularities or fraud or
 - (ii) serious breach of obligations under the Framework Agreement or a Specific Agreement or during the award procedure (including improper implementation of the specific action, submission of false information, failure to provide required information, breach of ethical principles) or
- b) a KIC Partner (or a natural person who has the power to represent or take decisions on its behalf) has committed — in other EIT, EU or Euratom grants awarded to it under similar conditions — systemic or recurrent errors, irregularities, fraud or serious breach of obligations that have a material impact on the specific grant (**extension of findings from other grants to the specific grant**; see Article 28.5.2).

If payments are suspended for one or more KIC Partners, the EIT will make partial payment(s) for the part(s) not suspended. If suspension concerns the payment of the balance, — once suspension is lifted — the payment or the recovery of the amount(s) concerned will be considered the payment of the balance that closes the action.

54.2 Procedure

Before suspending payments, the EIT will formally notify the KIC LE or the KIC Partner concerned:

- informing it of its intention to suspend payments and the reasons why and
- inviting it to submit observations within 30 days of receiving notification.

If the EIT does not receive observations or decides to pursue the procedure despite the observations it has received, it will formally notify confirmation of the suspension. Otherwise, it will formally notify that the suspension procedure is not continued.

The suspension will **take effect** the day the confirmation notification is sent by the EIT.

If the conditions for resuming payments are met, the suspension will be lifted. The EIT will formally notify the KIC LE or the KIC Partner concerned.

The KIC Partners may suspend implementation of the specific action (see Article 55.1) or terminate the Specific Agreement concerned or the participation of the KIC Partner concerned (see Articles 56.1 and 56.2).

ARTICLE 55 — SUSPENSION OF THE IMPLEMENTATION OF THE SPECIFIC ACTION

55.1 Suspension of the implementation of the specific action, by the KIC Partners

55.1.1 Conditions

The KIC Partners may suspend implementation of a specific action or any part of it, if exceptional circumstances — in particular *force majeure* (see Article 57) — make implementation impossible or excessively difficult.

55.1.2 Procedure

The KIC LE must immediately formally notify to the EIT the suspension (see Article 58), stating:

- the reasons why and
- the expected date of resumption.

The suspension will **take effect** the day this notification is received by the EIT.

Once circumstances allow for implementation to resume, the KIC LE must immediately formally notify the EIT and request an amendment of the Specific Agreement concerned to set the date on which the specific action will be resumed, extend the duration of the specific action and make other changes necessary to adapt the specific action to the new situation (see Article 61) — unless the Specific Agreement or the participation of a KIC Partner has been terminated (see Article 56).

The suspension will be lifted with effect from the resumption date set out in the amendment. This date may be before the date on which the amendment enters into force.

Costs incurred during suspension of the implementation of the specific action are not eligible (see Article 5 SGA).

55.2 Suspension of the implementation of the specific action, by the EIT

55.2.1 Conditions

The EIT may suspend implementation of a specific action or any part of it, if:

- (a) a KIC Partner (or a natural person who has the power to represent or take decisions on its behalf) has committed or is suspected of having committed:
 - (i) substantial errors, irregularities or fraud or
 - (j) serious breach of obligations under the Framework Partnership Agreement or a Specific Agreement or during the award procedure (including improper implementation of the specific action, submission of false declaration, failure to provide required information, breach of ethical principles);
- (b) a KIC Partner (or a natural person who has the power to represent or take decisions on its behalf) has committed — in other EIT, EU or Euratom grants awarded to it under similar conditions — systemic or recurrent errors, irregularities, fraud or serious breach of obligations that have a material impact on the specific grant (**extension of findings from other grants to the specific grant**; see Article 28.5.2).
- (c) not applicable.

55.2.2 Procedure

Before suspending implementation of the specific action, the EIT will formally notify the KIC LE or the KIC Partner concerned:

- informing it of its intention to suspend the implementation and the reasons why and
- inviting it to submit observations within 30 days of receiving notification.

If the EIT does not receive observations or decides to pursue the procedure despite the observations it has received, it will formally notify confirmation of the suspension. Otherwise, it will formally notify that the procedure is not continued.

The suspension will **take effect** five days after the confirmation notification is received (or on a later date specified in the notification).

It will be **lifted** if the conditions for resuming implementation of the specific action are met.

The KIC LE or the KIC Partner concerned will be formally notified of the lifting and the Specific Agreement concerned will be amended to set the date on which the specific action will be resumed, extend the duration of the specific action and make other changes necessary to adapt the specific action to the new situation (see Article 61) — unless the Agreement has already been terminated (see Article 56).

The suspension will be lifted with effect from the resumption date set out in the amendment. This date may be before the date on which the amendment enters into force.

Costs incurred during suspension are not eligible (see Article 5 SGA).

The KIC Partners may not claim damages due to suspension by the EIT (see Article 52).

Suspension of the implementation of the specific action does not affect the EIT's right to terminate the Agreement or participation of a KIC Partner (see Article 56), reduce the grant or recover amounts unduly paid (see Articles 49 and 50).

ARTICLE 56 — TERMINATION OF THE SPECIFIC AGREEMENTS OR OF THE PARTICIPATION OF ONE OR MORE KIC PARTNERS

56.1 Termination of the Specific Agreements, by the KIC Partners

56.1.1 Conditions and procedure

The KIC Partners may terminate a Specific Agreement.

The KIC LE must formally notify termination to the EIT (see Article 58), stating:

- the reasons why and
- the date the termination will take effect. This date must be after the notification.

If no reasons are given or if the EIT considers the reasons do not justify termination, the Specific Agreement concerned will be considered to have been **'terminated improperly'**.

The termination will **take effect** on the day specified in the notification.

56.1.2 Effects

The KIC LE must — within 60 days from when termination takes effect — submit **a final report** (see Article 16 SGA).

If the EIT does not receive the report within the deadline (see above), no costs are considered as eligible.

The EIT will **calculate** the final grant amount (see Article 10.3) and the balance (see Article 17 SGA) on the basis of the report submitted. Only costs incurred until termination are eligible. Costs relating to contracts due for execution only after termination are not eligible.

Improper termination may lead to a reduction of the grant (see Article 49).

After termination, the KIC Partners' obligations (in particular Articles 26, 28, 29, Subsection 3 of Section 3 of Chapter 3, 42, 43, 44, 46, 48, 49 and 50) continue to apply.

56.2 Termination of the participation of one or more KIC Partners, by the KIC Partners

56.2.1 Conditions and procedure

The participation of one or more KIC Partners in a specific action may be terminated by the KIC LE, on request of the KIC Partner concerned or on behalf of the other KIC Partners; such a request shall be made in compliance with the KIC's governance rules.

The KIC LE must formally notify termination to the EIT (see Article 58) and inform the KIC Partner concerned.

If the KIC LE's participation is terminated, the formal notification must be done by another KIC Partner (acting on behalf of all the other KIC Partners).

The notification must include:

- the reasons why;
- the opinion of the KIC Partner concerned (or proof that this opinion has been requested in writing);
- the date the termination takes effect. This date must be after the notification;
- a request for amendment (see Article 61), with a proposal for reallocation of the tasks and the estimated budget of the KIC Partner concerned (see Annexes 1 and 2 SGA) and, if necessary, the addition of one or more new KIC Partners (see Article 62). If termination takes effect after the period set out in Article 3 SGA, no request for amendment must be included unless the KIC Partner concerned is the KIC LE. In this case, the request for amendment must propose a new KIC LE.

If this information is not given or if the EIT considers that the reasons do not justify termination, the participation will be considered to have been **terminated improperly**.

The termination will **take effect** on the day specified in the notification.

56.2.2 Effects

The KIC LE must — within 30 days from when termination takes effect — submit:

- (i) a report on the distribution of payments to the KIC Partner concerned and
- (ii) if termination takes effect during the period set out in Article 3 of the SGA, a **'termination report'** from the KIC Partner concerned, containing an overview of the progress of the work until termination, an overview of the use of resources, the individual financial statement and, if applicable, the certificate on the financial statement (see Article 16 SGA).

The information in the termination report must also be included in the final report (see Article 16 SGA).

If the request for amendment is rejected by the EIT (because it calls into question the decision awarding the specific grant or breaches the principle of equal treatment of applicants or the KICs), the Specific Agreement concerned may be terminated according to Article 56.3.1(c).

If the request for amendment is accepted by the EIT, the Specific Agreement concerned is **amended** to introduce the necessary changes (see Article 61).

The EIT will — on the basis of the termination report and the report on the distribution of payments — **calculate** the amount which is due to the KIC Partner if the pre-financing payment received by the KIC Partner concerned exceed this amount.

The **amount which is due** is calculated in the following steps:

Step 1- Application of the reimbursement rate to the eligible costs

The grant amount for the KIC Partner is calculated by applying the reimbursement rate(s) to the total eligible costs declared by the KIC Partner and its linked third parties in the termination report and approved by the EIT.

Only costs incurred by the KIC Partner concerned until termination takes effect are eligible (see Article 5 SGA). Costs relating to contracts due for execution only after termination are not eligible.

Step 2 – Reduction due to substantial errors, irregularities or fraud or serious breach of obligations

In case if a reduction (see Article 49), the EIT will calculate the reduced grant amount for the KIC Partner by deducting the amount of the reduction (calculated in proportion to the seriousness of the errors, irregularities or fraud or breach of obligations, in accordance with Article 49.2) from the grant amount for the KIC Partner.

- If the payments received **exceed the amounts due**:
 - if termination takes effect during the period set out in Article 3 SGA and the request for amendment is accepted, the KIC Partner concerned must repay to the KIC LE the amount unduly received. The EIT will formally notify the amount unduly received and request the KIC Partner concerned to repay it to the KIC LE within 30 days of receiving notification. If it does not repay the KIC LE, the EIT will draw upon the Guarantee Fund to pay the KIC LE and then notify a debit note on behalf of the Guarantee Fund to the KIC Partner concerned (see Article 50);
 - in all other cases (in particular if termination takes effect after the period set out in Article 3 SGA), the EIT will formally notify a debit note to the KIC Partner concerned. If payment is not made by the date in the debit note, the Guarantee Fund will pay to the EIT the amount due and the EIT will notify a debit note on behalf of the Guarantee Fund to the KIC Partner concerned (see Article 50);

- if the KIC Partner concerned is the former KIC LE, it must repay the new KIC LE the amount unduly received;

In this case, the EIT will formally notify a debit note to the former KIC LE. If payment is not made by the date in the debit note, the Guarantee Fund will pay to EIT the amount due. The EIT will then pay the new KIC LE and notify a debit note on behalf of the Guarantee Fund to the former KIC LE (see Article 50).

- If the payments received **do not exceed the amounts due**: amounts owed to the KIC Partner concerned will be included in the payment of the balance.

If the EIT does not receive the termination report within the deadline (see above), the EIT will not consider any cost as eligible.

If the EIT does not receive the report on the distribution of payments within the deadline (see above), it will consider that:

- the KIC LE did not distribute any payment to the KIC Partner concerned, and that
- the KIC Partner concerned must not repay any amount to the KIC LE.

Improper termination may lead to a reduction of the specific grant (see Article 49) or termination of the Specific Agreement concerned (see Article 56).

After termination, the concerned KIC Partner's obligations (in particular Articles 26, 28, 29, Subsection 3 of Section 3 of Chapter 3, 42, 43, 44, 46, 48, 49 and 50) continue to apply.

56.3 Termination of the Specific Agreements or participation for one or more KIC Partners, by the EIT

56.3.1 Conditions

The EIT may terminate a Specific Agreement or the participation of one or more KIC Partners in a specific action, if:

- one or more KIC Partners do not accede to the Framework Partnership Agreement
- a change to their legal, financial, technical, organisational or ownership situation (or those of its linked third parties) is likely to substantially affect or delay the implementation of the specific action or calls into question the decision to award the specific grant;
- following termination of participation for one or more KIC Partners (see above), the necessary changes to the Specific Agreement would call into question the decision awarding the specific grant or breach the principle of equal treatment of applicants or the KICs (see Article 61);

- (d) implementation of the specific action is prevented by force majeure (see Article 57) or suspended by the KIC LE (see Article 55.1) and either:
 - (i) resumption is impossible, or
 - (ii) the necessary changes to the Specific Agreement would call into question the decision awarding the specific grant or breach the principle of equal treatment of applicants or the KICs;
- (e) a KIC Partner is declared bankrupt, being wound up, having its affairs administered by the courts, has entered into an arrangement with creditors, has suspended business activities, or is subject to any other similar proceedings or procedures under national law;
- (f) a KIC Partner (or a natural person who has the power to represent or take decisions on its behalf) has been found guilty of professional misconduct, proven by any means;
- (g) a KIC Partner does not comply with the applicable national law on taxes and social security;
- (h) not applicable;
- (i) for specific actions that are joint actions under a Specific Agreement: additional grounds for termination are set out in the Specific Agreement (see Article 20 SGA);
- (j) a KIC Partner (or a natural person who has the power to represent or take decisions on its behalf) has committed fraud, corruption, or is involved in a criminal organisation, money laundering or any other illegal activity;
- (k) a KIC Partner (or a natural person who has the power to represent or take decisions on its behalf) has committed:
 - (i) substantial errors, irregularities, fraud or
 - (ii) serious breach of obligations under the Framework Partnership Agreement or a Specific Agreement or during the award procedure (including improper implementation of the specific action, submission of false information, failure to provide required information, breach of ethical principles);
- (l) a KIC Partner (or a natural person who has the power to represent or take decisions on its behalf) has committed — in other EIT, EU or Euratom grants awarded to it under similar conditions — systemic or recurrent errors, irregularities, fraud or serious breach of obligations that have a material impact on the specific grant (**‘extension of findings from other grants to the specific grant’**; see Article 28.5.2);

- (m) despite a specific request by the EIT, the KIC Partner does not request – through the coordinator – an amendment to the Agreement to end the participation of one of its linked third parties or international partners that is in one of the situations under (e), (f), (g), (k), (l) or (m) and to reallocate its tasks.

56.3.2 Procedure

Before terminating the Specific Agreement or participation of one or more KIC Partners, the EIT will formally notify the KIC LE or the KIC Partner concerned:

- informing it of its intention to terminate and the reasons why and
- inviting it, within 30 days of receiving notification, to submit observations and — in case of Point (k.ii) above — to inform the EIT of the measures to ensure compliance with the obligations under the Framework Partnership Agreement and the Specific Agreement concerned.

If the EIT does not receive observations or decides to pursue the procedure despite the observations it has received, it will formally notify to the KIC LE or the KIC Partner concerned **confirmation** of the termination and the date it will take effect. Otherwise, it will formally notify that the procedure is not continued.

The termination will **take effect**:

- for terminations under Points (b), (c), (e), (g), (h), (k.ii) and (m) above: on the day specified in the notification of the confirmation (see above);
- for terminations under Points (a), (d), (f), (i), (k.i) and (l) above: on the day after the notification of the confirmation is received by the KIC LE.

56.3.3 Effects

- (a) for **termination of the Agreement**:

The KIC LE must — within 60 days from when termination takes effect — submit the final report (see Article 16 SGA).

If the Specific Agreement is terminated for breach of the obligation to submit the final report (see Article 56.3.1(k) and Article 16 SGA) the KIC LE may not submit any reports after termination.

If the EIT does not receive the report within the deadline (see above), the EIT will not consider any cost as eligible for the specific action.

The EIT will calculate the final grant amount (see Article 10.3) and the balance (see Article 17 SGA) on the basis of the report submitted. Only costs incurred until termination takes effect

are eligible (see Article 5 SGA). Costs relating to contracts due for execution only after termination are not eligible.

This does not affect the EIT's right to reduce the specific grant (see Article 49) or to impose administrative sanctions (Article 51).

The KIC Partners may not claim damages due to termination by the EIT (see Article 52).

After termination, the KIC Partners' obligations (in particular Articles 26, 28, 29, Subsection 3 of Section 3 of Chapter 3, 42, 43, 44, 46, 48, 49 and 50) continue to apply.

(b) for **termination of the participation of one or more KIC Partners:**

The KIC LE must — within 60 days from when termination takes effect — submit:

- (i) a report on the distribution of payments to the KIC Partner concerned;
- (ii) a request for amendment (see Article 61), with a proposal for reallocation of the tasks and the estimated budget of the KIC Partner concerned (see Annexes 1 and 2 SGA) and, if necessary, the addition of one or more new KIC Partners (see Article 62). If termination takes effect after the period set out in Article 3 SGA, no request for amendment must be included unless the KIC Partner concerned is the KIC LE. In this case, the request for amendment must propose a new KIC LE, and
- (iii) if termination takes effect during the period set out in Article 3 SGA, a **termination report** from the KIC Partner concerned, containing an overview of the progress of the work until termination, an overview of the use of resources, the individual financial statement and, if applicable, the certificate on the financial statement (see Article 16 SGA);

The information in the termination report must also be included in the final report (see Article 16 SGA).

If the request for amendment is rejected by the EIT (because it calls into question the decision awarding the grant or breaches the principle of equal treatment of applicants or the KICs), the Specific Agreement may be terminated according to Article 56.3.1(c).

If the request for amendment is accepted by the EIT, the Specific Agreement is **amended** to introduce the necessary changes (see Article 61).

The EIT will — on the basis of the termination report and the report on the distribution of payments — calculate the amount which is due to the KIC Partner and if the pre-financing payment received by the KIC Partner concerned exceed this amount.

The **amount which is due** is calculated in the following steps:

Step 1 – Application of the reimbursement rate to the eligible costs

The grant amount for the KIC Partner is calculated by applying the reimbursement rate(s) to the total eligible costs declared by the KIC Partner and its linked third parties in the termination report and approved by the EIT.

Only costs incurred by the KIC Partner concerned until termination takes effect are eligible (see Article 5 SGA). Costs relating to contracts due for execution only after termination are not eligible.

Step 2 – Reduction due to substantial errors, irregularities or fraud or serious breach of obligations

In case if a reduction (see Article 43), the EIT will calculate the reduced grant amount for the KIC Partner by deducting the amount of the reduction (calculated in proportion to the seriousness of the errors, irregularities or fraud or breach of obligations, in accordance with Article 43.2) from the grant amount for the KIC Partner.

- If the payments received **exceed the amounts due**:
 - if termination takes effect during the period set out in Article 3 SGA and the request for amendment is accepted, the KIC Partner concerned must repay to the KIC LE the amount unduly received. The EIT will formally notify the amount unduly received and request the KIC Partner concerned to repay it to the KIC LE within 30 days of receiving notification. If it does not repay the KIC LE, the EIT will draw upon the Guarantee Fund to pay the KIC LE and then notify a debit note on behalf of the Guarantee Fund to the KIC Partner concerned (see Article 50);
 - in all other cases, in particular if termination takes effect after the period set out in Article 3 SGA, the EIT will formally notify a debit note to the KIC Partner concerned. If payment is not made by the date in the debit note, the Guarantee Fund will pay to the EIT the amount due and the EIT will notify a debit note on behalf of the Guarantee Fund to the KIC Partner concerned (see Article 50) ;
 - if the KIC Partner concerned is the former KIC LE, it must repay the new KIC LE the amount unduly received.

In this case, the EIT will formally notify a **debit note** to the former KIC LE. If payment is not made by the date in the debit note, the Guarantee Fund will pay to the EIT the amount due. The EIT will then pay the new KIC LE and notify a debit note on behalf of the Guarantee Fund to the former KIC LE (see Article 50).

- If the payments received **do not exceed the amounts due**: amounts owed to the KIC Partner concerned will be included in the payment of the balance.

If the EIT does not receive the termination report within the deadline (see above), the EIT will not consider any cost as eligible.

If the EIT does not receive the report on the distribution of payments within the deadline (see above), it will consider that:

- the KIC LE did not distribute any payment to the KIC Partner concerned, and that
- the KIC Partner concerned must not repay any amount to the KIC LE.

After termination, the concerned KIC Partner's obligations (in particular Articles 26, 28, 29, Subsection 3 of Section 3 of Chapter 3, 42, 43, 44, 46, 48, 49, 50) continue to apply.

SUBSECTION 4 FORCE MAJEURE

ARTICLE 57 — FORCE MAJEURE

'Force majeure' means any situation or event that:

- prevents either party from fulfilling their obligations under the Agreement,
- was unforeseeable, exceptional situation and beyond the parties' control,
- was not due to error or negligence on their part (or on the part of third parties involved in the action), and
- proves to be inevitable in spite of exercising all due diligence.

The following cannot be invoked as force majeure:

- any default of a service, defect in equipment or material or delays in making them available, unless they stem directly from a relevant case of force majeure,
- labour disputes or strikes, or
- financial difficulties.

Any situation constituting force majeure must be formally notified to the other party without delay, stating the nature, likely duration and foreseeable effects.

The parties must immediately take all the necessary steps to limit any damage due to force majeure and do their best to resume implementation of the action as soon as possible.

The party prevented by force majeure from fulfilling its obligations under the Framework Partnership Agreement or a Specific Agreement cannot be considered in breach of them.

CHAPTER 4 FINAL PROVISIONS

ARTICLE 58 — COMMUNICATIONS BETWEEN THE PARTIES SIGNING THE FRAMEWORK PARTNERSHIP AGREEMENT

58.1 Form and means of communications

Communication under the Framework Partnership Agreement and the Specific Agreements (information, requests, submissions, formal notifications, etc.) must:

- be made in writing and
- bear the number of the Framework Partnership Agreement and the Specific Agreement concerned;
- be submitted to the addresses listed in Article 58.3.

Communication may be made either:

- through the EIT dedicated electronic exchange platform and using the forms and templates provided there;
- electronically in the form of e-mail; or
- by registered post with proof of delivery ('formal notification on paper').

If the electronic exchange system is temporarily unavailable, instructions will be provided by the EIT.

Formal notifications must be made by registered post with proof of delivery, unless otherwise agreed between the parties.

Electronic communications must be confirmed by an original signed paper version of that communication, if requested by any of the parties signing the Framework Partnership Agreement, provided that this request is submitted without unjustified delay. The sender shall send the original signed paper version without unjustified delay.

Communications from the other KIC Partners shall be channelled via the KIC LE.

58.2 Date of communications

Communications are considered to have been made when they are received by the receiving party, unless the Framework Partnership Agreement or the Specific Agreement refers to the date when the communication was sent.

Electronic communications are considered to have been made on the day of successful dispatch of the communication, provided that it is sent to the addressees listed in Article 58.3. Dispatch is considered unsuccessful if the sending party receives a message of non-delivery. In this case, the sending party must immediately send again such communication to any of the other

addresses listed in Article 58.3. In case of unsuccessful dispatch, the sending party will not be held in breach of its obligation to send such communication within a specified deadline.

Formal notifications on paper sent by registered post with proof of delivery are considered to have been made on either:

- the delivery date registered by the postal service or
- the deadline for collection at the post office.

Formal notifications through the EIT dedicated electronic exchange platform are considered to have been made when they are received by the receiving party (i.e. on the date and time of acceptance by the receiving party). A formal notification that has not been accepted within 30 days after sending is considered to have been accepted.

58.3 Addresses for communication

Communications addressed to the EIT must be sent to the following address:

Director
European Institute of Innovation and Technology - EIT
Infopark, Building E, 1 Neumann Janos Street
1117 Budapest
Hungary

E-mail address:

EIT-director@eit.europa.eu

Communications from the EIT to the KIC Partners must be sent to the KIC LE's legal address or e-mail address as specified in the preamble.

The electronic exchange platform can be accessed via the following URL:

<https://duna.eit.europa.eu>

The EIT will formally notify the KIC LE in advance of any changes to this platform.

ARTICLE 59 — INTERPRETATION OF THE FRAMEWORK PARTNERSHIP AGREEMENT AND THE SPECIFIC AGREEMENTS

59.1 Precedence of the Terms and Conditions over the Annexes

The provisions in the Terms and Conditions of the Framework Partnership Agreement and the Specific Agreements take precedence over their Annexes.

Annex 2 to the Specific Agreements takes precedence over their Annex 1.

59.2 Precedence of the Terms and Conditions of the Specific Agreements over the Framework Partnership Agreement

The provisions in the 'Terms and Conditions' of the Specific Agreements take precedence over the Framework Partnership Agreement.

ARTICLE 60 — CALCULATION OF PERIODS, DATES AND DEADLINES

In accordance with Regulation No 1182/71¹⁴, periods expressed in days, months or years are calculated from the moment the triggering event occurs.

The day during which that event occurs is not considered as falling within the period.

ARTICLE 61 — AMENDMENTS TO THE FRAMEWORK PARTNERSHIP AGREEMENT AND THE SPECIFIC AGREEMENTS

61.1 Conditions

The Framework Partnership Agreement and the Specific Agreements may be amended, unless the amendment entails changes to those Agreements which would call into question the decisions awarding the framework partnership or specific grants concerned or breach the principle of equal treatment of the applicants or KICs.

Amendments may be requested by any of the parties signing the Framework Partnership Agreement.

61.2 Procedure

The party requesting an amendment must submit a request for amendment (see Article 58).

The KIC LE submits and receives requests for amendment on behalf of the KIC Partners (see Annex 4).

If a change of the KIC LE is requested, the submission must be done by another KIC Partner (acting on behalf of the other KIC Partners).

The request for amendment must include:

- the reasons why;
- the appropriate supporting documents, and
- for a change of the KIC LE: the opinion of the KIC LE (or proof that this opinion has been requested in writing).

¹⁴ Regulation (EEC, Euratom) No 1182/71 of the Council of 3 June 1971 determining the rules applicable to periods, dates and time-limits (OJ L 124, 8.6.1971, p. 1).

The EIT may request additional information.

If the party receiving the request agrees, it must sign the amendment within 45 days of receiving notification (or any additional information the EIT has requested). If it does not agree, it must formally notify its disagreement within the same deadline. The deadline may be extended, if necessary for the assessment of the request. If no notification is received within the deadline, the request is considered to have been rejected.

An amendment **enters into force** on the day of the signature of the receiving party.

An amendment **takes effect** on the date agreed by the parties or, in the absence of such an agreement, on the date on which the amendment enters into force.

ARTICLE 62 — ACCESSION TO THE FRAMEWORK PARTNERSHIP AGREEMENT AND THE SPECIFIC AGREEMENTS

62.1 Accession of the KIC Partners mentioned in Annex 2

The other KIC Partners must accede to the Framework Partnership Agreement by signing the Accession Form (see Annex 4), within 120 days after its entry into force (see Article 64) and for KIC Partners for which the EIT has requested joint and several liability of a linked third party, by also submitting — at accession to the Framework Partnership Agreement — a declaration on joint and several liability (see Annex 4a) signed by the third party.]

All KIC Partners having acceded to the Framework Partnership Agreement must be part of the Specific Agreements. The KIC Partners will accede to the Specific Agreement by signature of the KIC LE (mandate in Annex 4).

They will assume the rights and obligations under the Agreements with effect from the date of their entry into force (see Article 64 and Article 21 SGA).

If a KIC Partner does not accede to the Framework Partnership Agreement within the above deadline, the KIC LE must — within 30 days — request an amendment to make any changes necessary to ensure proper implementation of the Strategic Agenda. This does not affect the EIT's right to terminate the agreements (see Articles 6 and 56).

62.2 Addition of new KIC Partners

In justified cases, the KIC Partners may request the addition of a new KIC Partner.

For this purpose, the KIC LE must submit a request for amendment of the Framework Partnership Agreement and the ongoing Specific Agreement in accordance with Article 61. The request must include an Accession Form (see Annex 4) signed by the new KIC Partner.

New KIC Partners must assume the rights and obligations under the Agreements with effect from the date of their accession specified in the Accession Form (see Annex 4).

ARTICLE 63 — APPLICABLE LAW AND SETTLEMENT OF DISPUTES

63.1 Applicable law

The Framework Partnership Agreement and the Specific Agreements are governed by the applicable EU law, supplemented if necessary by the law of Belgium.

63.2 Dispute settlement

If a dispute concerning the interpretation, application or validity of the Framework Partnership Agreement or a Specific Agreement cannot be settled amicably, the General Court — or, on appeal, the Court of Justice of the European Union — has sole jurisdiction. Such actions must be brought under Article 272 of the Treaty on the Functioning of the EU (TFEU).

As an exception, if such a dispute is between the EIT and non-EU KIC Partner(s) (except KIC Partners established in an associated country with an association agreement to Horizon 2020 that stipulates sole jurisdiction of the European Court of Justice), the competent Belgian courts have sole jurisdiction.

For KIC Partners not eligible for EIT funding under a Specific Agreement which according to their national law cannot be subject to the jurisdiction of the Belgian courts, such disputes must — if they cannot be settled amicably — be referred to arbitration. Each party must formally notify to the other party its intention of resorting to arbitration and the identity of the arbitrator. The Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States in force at the date of entry into force of the Framework Partnership Agreement will apply. The appointing authority will be the Secretary-General of the Permanent Court of Arbitration following a written request submitted by either party signing the Framework Partnership Agreement. The arbitration proceedings must take place in Brussels and the language used in the arbitral proceedings will be English. The arbitral award will be binding on all parties and will not be subject to appeal.

If a dispute concerns administrative sanctions or offsetting (see Articles 50, 51 and 52), the KIC Partners must bring action before the General Court — or, on appeal, the Court of Justice of the European Union — under Article 263 TFEU.

ARTICLE 64 — ENTRY INTO FORCE OF THE FRAMEWORK PARTNERSHIP AGREEMENT

The Framework Partnership Agreement will enter into force on the day of signature by the EIT or the KIC LE, depending on which is later.

SIGNATURES

For the KIC LE

[function/forename/surname]
[signature]

For the EIT

[forename/surname]
[signature]

Done in [English] at [place] on [date]

Done in [English] at [place] on [date]

MODEL

(Placeholder for KIC Strategic Agenda)

List of KIC partners

KIC CODE	Full Official Name	Short Name	Legal Type	SME ¹	AREA ²	Website	Street	City	Zip	Country	VAT	Eligibility period (start)	Eligibility period (end)

¹ Please refer to the definition of the EC: http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm

² Either “Business”, “Cities, Regions, NGOs”, “Research”, “Higher Education”, “KIC LE & CLC” and “Others”

(Placeholder for Specific Grant Agreement)

Annex 4 - FPA[year]/EIT/[KIC name]/[number]

ACCESSION FORM FOR KIC PARTNERS

[Full official name of the KIC Partner/new KIC Partner/new KIC LE (short name)], established in [official address in full] [VAT number], ([‘the KIC Partner’]/[‘the KIC LE’]), represented for the purpose of signing this Accession Form by [forename and surname, function],

hereby agrees

to become [KIC partner]/[KIC LE] No [KIC Partner no] in Framework Partnership Agreement (FPA) No [year]/EIT/[KIC name]/[number] (‘Agreement’) signed between [full official name of the KIC LE] and the European Institute of Innovation and Technology (‘the EIT’),

[OPTION for KIC partners/new KIC partners: and mandates

the KIC LE:

- *to submit any proposals for the award of specific grants;*
- *to sign in its name and on its behalf all the Specific Agreements that may be awarded (see Articles 2 and 62 of the FPA);*
- *to submit and sign in its name and on its behalf any **amendments** to the Framework Partnership Agreement and Specific Agreements (see Article 61 of the FPA),*

subject to the fulfilment of the KIC’s governance rules.

By signing this Accession Form, the KIC Partner accepts the grant and agrees to *[OPTION: for new KIC LEs: take on the obligations and role of KIC LE and to]* implement it in accordance with the Agreement, with all the obligations and conditions it sets out *[OPTION for new KIC Partners: as from [insert date]/[the date of signature of the Accession Form]/[the date of entry into force of the amendment] (‘accession date’) [additional OPTION for change of KIC Partner due to partial takeover, and with joint and several liability for undue amounts paid to [insert short name of former KIC Partner] (i.e. recoveries)] — if the EIT agrees with the request for amendment].*

SIGNATURE

For the KIC Partner/new KIC Partner/new KIC LE:

[function/forename/surname]

[signature]

Done in [English] at [place] on [date]

Annex 4 - FPA[year]/EIT/[KIC name]/[number]

Countersigned by KIC LE:

[fully official name of KIC LE]
[function/forename/surname]

[signature]
Done in [English] at [place] on [date]

MODEL



Declaration on joint and several liability of linked third parties

(to be filled by the linked third party and submitted by the KIC Partner if Article 19 applies and linked third party liability has been requested by the EIT)

[full official name of the entity affiliated or linked to the KIC Partner (short name)] , established in [official address in full], [OPTION for linked third parties with VAT: VAT number [insert number]] ('the linked third party'), represented for the purpose of signing this Declaration on joint and several liability by its legal representative(s) [forename and surname, function of the legal representative(s) of the linked third party],

linked to KIC Partner No [insert number] [full official name of the partner (short name)], established in [official address in full], [OPTION for KIC Partners with VAT: VAT number [insert number]] ('the KIC Partner'),

hereby accepts joint and several liability with the KIC Partner

for any amount owed to the EIT by the KIC Partner under **any specific** agreements awarded under the Framework Partnership Agreement FPA[insert year]/EIT/[insert KIC name], up to the maximum EU contribution indicated, for the linked third party, in the estimated budget (see Annex 2 SGA).

The linked third party irrevocably and unconditionally agrees to pay amounts requested under this Declaration to the EIT, immediately and at first demand.

For the linked third party
[forename/surname/function]

signature

Done in English at [place], on [date]

List of linked third parties to the KIC LE and/or KIC Partners
in accordance with Article 19 of the FPA

KIC CODE	FPA Status	Full Official Name	Short Name	VAT	Legal Type	SME ¹	AREA ²	Street	City	Zip	Country	Website	Linked To	Nature of Link ³	Eligibility period (start)	Eligibility period (end)

¹ Please refer to the definition of the EC: http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm

² Either "Business", "Cities, Regions, NGOs", "Research", "Higher Education", "KIC LE & CLC" and "Others"

³ For the definition see Article 2.1(2) Rules for Participation Regulation No 1290/2013: 'affiliated entity' means any legal entity that is:

- under the direct or indirect control of a participant, or
- under the same direct or indirect control as the participant, or
- directly or indirectly controlling a participant.

'Control' may take any of the following forms:

(a) the direct or indirect holding of more than 50% of the nominal value of the issued share capital in the legal entity concerned, or of a majority of the voting rights of the shareholders or associates of that entity;

(b) the direct or indirect holding, in fact or in law, of decision-making powers in the legal entity concerned.

However, the following relationships between legal entities shall not in themselves constitute controlling relationships:

(a) the same public investment corporation, institutional investor or venture-capital company has a direct or indirect holding of more than 50% of the nominal value of the issued share capital or a majority of voting rights of the shareholders or associates;

(b) the legal entities concerned are owned or supervised by the same public body.

'Third party with a legal link to a beneficiary' is any legal entity which has a legal link to the beneficiary implying collaboration that is not limited to the action.

MODEL FOR THE CERTIFICATE ON THE METHODOLOGY

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TERMS OF REFERENCE FOR AN AUDIT ENGAGEMENT FOR A METHODOLOGY CERTIFICATE IN CONNECTION WITH ONE OR MORE GRANT AGREEMENTS FINANCED UNDER THE HORIZON 2020 RESEARCH AND INNOVATION FRAMEWORK PROGRAMME 2

INDEPENDENT REPORT OF FACTUAL FINDINGS ON THE METHODOLOGY CONCERNING GRANT AGREEMENTS FINANCED UNDER THE HORIZON 2020 RESEARCH AND INNOVATION FRAMEWORK PROGRAMME 6

Terms of reference for an audit engagement for a methodology certificate in connection with one or more grant agreements financed under the Horizon 2020 Research and Innovation Framework Programme

This document sets out the 'Terms of Reference (ToR)' under which

[OPTION 1: [insert name of the partner] ('the Partner')] [OPTION 2: [insert name of the linked third party] ('the Linked Third Party'), third party linked to the Partner [insert name of the partner] ('the Partner')]

agrees to engage

[insert legal name of the auditor] ('the Auditor')

to produce an independent report of factual findings ('the Report') concerning the [Partner's] [Linked Third Party's] usual accounting practices for calculating and claiming direct personnel costs declared as unit costs ('the Methodology') in connection with grant agreements financed under the Horizon 2020 Research and Innovation Framework Programme.

The procedures to be carried out for the assessment of the methodology will be based on the grant agreement(s) detailed below:

[title and number of the grant agreement(s)] ('the Agreement(s)')

The Agreement(s) has(have) been concluded between the KIC LE on behalf of the Partner *and the EIT*.

The *EIT* is mentioned as a signatory of the Agreement with the KIC LE on behalf of the Partner only. The *European Union* is not a party to this engagement.

1.1 Subject of the engagement

According to Article 24 of the Framework Partnership Agreement, partners [and linked third parties] that declare direct personnel costs as unit costs calculated in accordance with their usual cost accounting practices may submit to the *EIT*, for approval, a certificate on the methodology ('CoMUC') stating that there are adequate records and documentation to prove that their cost accounting practices used comply with the conditions set out in Point A of Article 5.2 of the Specific Agreement.

The subject of this engagement is the CoMUC which is composed of two separate documents:

- the Terms of Reference ('the ToR') to be signed by the [Partner] [Linked Third Party] and the Auditor;
- the Auditor's Independent Report of Factual Findings ('the Report') issued on the Auditor's letterhead, dated, stamped and signed by the Auditor which includes; the standard statements ('the Statements') evaluated and signed by the [Partner] [Linked Third Party], the agreed-upon procedures ('the Procedures') performed by the Auditor and the standard factual findings ('the Findings') assessed by the Auditor. The Statements, Procedures and Findings are summarised in the table that forms part of the Report.

The information provided through the Statements, the Procedures and the Findings will enable the EIT to draw conclusions regarding the existence of the [Partner's] [Linked Third Party's] usual cost accounting practice and its suitability to ensure that direct personnel costs claimed on that basis comply with the provisions of the Agreement. The EIT draws its own conclusions from the Report and any additional information it may require.

1.2 Responsibilities

The parties to this agreement are the [Partner] [Linked Third Party] and the Auditor.

The [Partner] [Linked Third Party]:

- is responsible for preparing financial statements for the Agreement(s) ('the Financial Statements') in compliance with those Agreements;
- is responsible for providing the Financial Statement(s) to the Auditor and enabling the Auditor to reconcile them with the [Partner's] [Linked Third Party's] accounting and bookkeeping system and the underlying accounts and records. The Financial Statement(s) will be used as a basis for the procedures which the Auditor will carry out under this ToR;
- is responsible for its Methodology and liable for the accuracy of the Financial Statement(s);
- is responsible for endorsing or refuting the Statements indicated under the heading 'Statements to be made by the Partner / Linked Third Party' in the first column of the table that forms part of the Report;
- must provide the Auditor with a signed and dated representation letter;
- accepts that the ability of the Auditor to carry out the Procedures effectively depends upon the [Partner] [Linked Third Party] providing full and free access to the [Partner] [Linked Third Party's] staff and to its accounting and other relevant records.

The Auditor:

- *[Option 1 by default: is qualified to carry out statutory audits of accounting documents in accordance with Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC or similar national regulations].*
- *[Option 2 if the Partner or Linked Third Party has an independent Public Officer: is a competent and independent Public Officer for which the relevant national authorities have established the legal capacity to audit the Partner].*
- *[Option 3 if the Partner or Linked Third Party is an international organisation: is an [internal] [external] auditor in accordance with the internal financial regulations and procedures of the international organisation].*

The Auditor:

- must be independent from the Partner *[and the Linked Third Party]*, in particular, it must not have been involved in preparing the Partner's *[and Linked Third Party's]* Financial Statement(s);
- must plan work so that the Procedures may be carried out and the Findings may be assessed;
- must adhere to the Procedures laid down and the compulsory report format;
- must carry out the engagement in accordance with these ToR;
- must document matters which are important to support the Report;

- must base its Report on the evidence gathered;
- must submit the Report to the [Partner] [Linked Third Party].

The EIT sets out the Procedures to be carried out and the Findings to be endorsed by the Auditor. The Auditor is not responsible for their suitability or pertinence. As this engagement is not an assurance engagement the Auditor does not provide an audit opinion or a statement of assurance.

1.3 Applicable Standards

The Auditor must comply with these Terms of Reference and with¹:

- the International Standard on Related Services ('ISRS') 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* as issued by the International Auditing and Assurance Standards Board (IAASB);
- the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (IESBA). Although ISRS 4400 states that independence is not a requirement for engagements to carry out agreed-upon procedures, the EIT requires that the Auditor also complies with the Code's independence requirements.

The Auditor's Report must state that there was no conflict of interests in establishing this Report between the Auditor and the Partner [and the Linked Third Party] that could have a bearing on the Report, and must specify – if the service is invoiced - the total fee paid to the Auditor for providing the Report.

1.4 Reporting

The Report must be written in the language of the Agreement (see Article 20.7 of the Agreement).

Under Article 28 of the Framework Partnership Agreement, the Commission, the EIT, the European Anti-Fraud Office and the Court of Auditors have the right to audit any work that is carried out under the action and for which costs are claimed from the European Union. This includes work related to this engagement. The Auditor must provide access to all working papers related to this assignment if the Commission, the EIT, the European Anti-Fraud Office or the European Court of Auditors requests them.

1.5 Timing

The Report must be provided by [dd Month yyyy].

1.6 Other Terms

¹ Supreme Audit Institutions applying INTOSAI-standards may carry out the Procedures according to the corresponding International Standards of Supreme Audit Institutions and code of ethics issued by INTOSAI instead of the International Standard on Related Services ('ISRS') 4400 and the Code of Ethics for Professional Accountants issued by the IAASB and the IESBA.

Annex 6 - FPA NUMBER [insert number] — [insert acronym]

[The [Partner] [Linked Third Party] and the Auditor can use this section to agree other specific terms, such as the Auditor's fees, liability, applicable law, etc. Those specific terms must not contradict the terms specified above.]

[legal name of the Auditor]

[legal name of the [Partner] [Linked Third
Party]]

[name & title of authorised representative]

[name & title of authorised representative]

[dd Month yyyy]

[dd Month yyyy]

Signature of the Auditor

Signature of the [Partner][Linked Third Party]

**Independent report of factual findings on the methodology concerning grant agreements financed
under the Horizon 2020 Research and Innovation Framework Programme**

(To be printed on letterhead paper of the auditor)

To

[name of contact person(s)], [Position]

[[Partner's] [Linked Third Party's] name]

[Address]

[dd Month yyyy]

Dear [Name of contact person(s)],

As agreed under the terms of reference dated [dd Month yyyy]

with [OPTION 1: [insert name of the Partner] ('the Partner')] [OPTION 2: [insert name of the linked third party] ('the Linked Third Party'), third party linked to the Partner [insert name of the Partner] ('the Partner)],

we

[name of the auditor] ('the Auditor'),

established at

[full address/city/state/province/country],

represented by

[name and function of an authorised representative],

have carried out the agreed-upon procedures ('the Procedures') and provide hereby our Independent Report of Factual Findings ('the Report'), concerning the [Partner's] [Linked Third Party's] usual accounting practices for calculating and declaring direct personnel costs declared as unit costs ('the Methodology').

You requested certain procedures to be carried out in connection with the grant(s)

[title and number of the grant agreement(s)] ('the Agreement(s)').

The Report

Our engagement was carried out in accordance with the terms of reference ('the ToR') appended to this Report. The Report includes: the standard statements ('the Statements') made by the [Partner] [Linked Third Party], the agreed-upon procedures ('the Procedures') carried out and the standard factual findings ('the Findings') confirmed by us.

The engagement involved carrying out the Procedures and assessing the Findings and the documentation requested appended to this Report, the results of which the EIT uses to draw conclusions regarding the acceptability of the Methodology applied by the [Partner] [Linked Third Party].

The Report covers the methodology used from [dd Month yyyy]. In the event that the [Partner] [Linked Third Party] changes this methodology, the Report will not be applicable to any Financial Statement² submitted thereafter.

The scope of the Procedures and the definition of the standard statements and findings were determined solely by the EIT. Therefore, the Auditor is not responsible for their suitability or pertinence.

Since the Procedures carried out constitute neither an audit nor a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not give a statement of assurance on the costs declared on the basis of the [Partner's] [Linked Third Party's] Methodology. Had we carried out additional procedures or had we performed an audit or review in accordance with these standards, other matters might have come to its attention and would have been included in the Report.

Exceptions

Apart from the exceptions listed below, the [Partner] [Linked Third Party] agreed with the standard Statements and provided the Auditor all the documentation and accounting information needed by the Auditor to carry out the requested Procedures and corroborate the standard Findings.

List here any exception and add any information on the cause and possible consequences of each exception, if known. If the exception is quantifiable, also indicate the corresponding amount.

.....

Explanation of possible exceptions in the form of examples (to be removed from the Report):

- i. the [Partner] [Linked Third Party] did not agree with the standard Statement number ... because...;*
- ii. the Auditor could not carry out the procedure ... established because (e.g. due to the inability to reconcile key information or the unavailability or inconsistency of data);*
- iii. the Auditor could not confirm or corroborate the standard Finding number ... because*

Remarks

We would like to add the following remarks relevant for the proper understanding of the Methodology applied by the [Partner] [Linked Third Party] or the results reported.

Example (to be removed from the Report):

Regarding the methodology applied to calculate hourly rates ...

Regarding standard Finding 15 it has to be noted that ...

The [Partner] [Linked Third Party] explained the deviation from the benchmark statement XXIV concerning time recording for personnel with no exclusive dedication to the action in the following manner: ...

...

² Financial Statement in this context refers solely to Annex 3 of the Specific Agreement by which the Partner declares costs under the Agreement.

Annexes

Please provide the following documents to the auditor and annex them to the report when submitting this CoMUC to the EIT:

1. Brief description of the methodology for calculating personnel costs, productive hours and hourly rates;
2. Brief description of the time recording system in place;
3. An example of the time records used by the [Partner] [Linked Third Party];
4. Description of any budgeted or estimated elements applied together with an explanation as to why they are relevant for calculating the personnel costs and how they are based on objective and verifiable information;
5. A summary sheet with the hourly rate for direct personnel declared by the [Partner] [Linked Third Party] and recalculated by the Auditor for each staff member included in the sample (the names do not need to be reported);
6. A comparative table summarising for each person selected in the sample a) the time claimed by the [Partner] [Linked Third Party] in the Financial Statement(s) and b) the time according to the time record verified by the Auditor;
7. A copy of the letter of representation provided to the Auditor.

Use of this Report

This Report has been drawn up solely for the purpose given under Point 1.1 Reasons for the engagement.

The Report:

- is confidential and is intended to be submitted to the EIT by the [Partner] [Linked Third Party] in connection with Article 24 of the Framework Partnership Agreement;
- may not be used by the [Partner] [Linked Third Party] or by the EIT for any other purpose, nor distributed to any other parties;
- may be disclosed by the EIT only to authorised parties, in particular the European Anti-Fraud Office (OLAF) and the European Court of Auditors.
- relates only to the usual cost accounting practices specified above and does not constitute a report on the Financial Statements of the [Partner] [Linked Third Party].

No conflict of interest³ exists between the Auditor and the Partner [and the Linked Third Party] that could have a bearing on the Report. The total fee paid to the Auditor for producing the Report was EUR [] (including EUR [] of deductible VAT).

³ A conflict of interest arises when the Auditor's objectivity to establish the certificate is compromised in fact or in appearance when the Auditor for instance:

- was involved in the preparation of the Financial Statements;
- stands to benefit directly should the certificate be accepted;
- has a close relationship with any person representing the Partner;
- is a director, trustee or partner of the Partner; or
- is in any other situation that compromises his or her independence or ability to establish the certificate impartially.

Annex 6 - FPA NUMBER [insert number] — [insert acronym]

We look forward to discussing our Report with you and would be pleased to provide any further information or assistance which may be required.

Yours sincerely

[legal name of the Auditor]

[name and title of the authorised representative]

[dd Month yyyy]

Signature of the Auditor

Statements to be made by the Partner/Linked Third Party ('the Statements') and Procedures to be carried out by the Auditor ('the Procedures') and standard factual findings ('the Findings') to be confirmed by the Auditor

The EIT reserves the right to provide the auditor with guidance regarding the Statements to be made, the Procedures to be carried out or the Findings to be ascertained and the way in which to present them. The EIT reserves the right to vary the Statements, Procedures or Findings by written notification to the Partner/Linked Third Party to adapt the procedures to changes in the grant agreement(s) or to any other circumstances.

If this methodology certificate relates to the Linked Third Party's usual accounting practices for calculating and claiming direct personnel costs declared as unit costs any reference here below to 'the Partner' is to be considered as a reference to 'the Linked Third Party'.

<i>Please explain any discrepancies in the body of the Report.</i>	
Statements to be made by Partner	Procedures to be carried out and Findings to be confirmed by the Auditor
<p>A. Use of the Methodology</p> <p>I. The cost accounting practice described below has been in use since [dd Month yyyy].</p> <p>II. The next planned alteration to the methodology used by the Partner will be from [dd Month yyyy].</p>	<p>Procedure:</p> <p>✓ The Auditor checked these dates against the documentation the Partner has provided.</p> <p>Factual finding:</p> <p>1. The dates provided by the Partner were consistent with the documentation.</p>
<p>B. Description of the Methodology</p> <p>III. The methodology to calculate unit costs is being used in a consistent manner and is reflected in the relevant procedures.</p> <p><i>[Please describe the methodology your entity uses to calculate <u>personnel</u> costs, productive hours and hourly rates, present your description to the Auditor and annex it to this certificate]</i></p> <p><i>[If the statement of section "B. Description of the methodology" cannot be endorsed by the Partner or there is no written methodology to calculate unit costs it should be listed here below and reported as exception by the Auditor in the main Report of Factual Findings:</i></p> <p>- ...]</p>	<p>Procedure:</p> <p>✓ The Auditor reviewed the description, the relevant manuals and/or internal guidance documents describing the methodology.</p> <p>Factual finding:</p> <p>2. The brief description was consistent with the relevant manuals, internal guidance and/or other documentary evidence the Auditor has reviewed.</p> <p>3. The methodology was generally applied by the Partner as part of its usual costs accounting practices.</p>
<p>C. Personnel costs</p> <p><u>General</u></p> <p>IV. The unit costs (hourly rates) are limited to</p>	<p>Procedure:</p> <p><i>The Auditor draws a sample of employees to carry out the procedures indicated in this section</i></p>

<i>Please explain any discrepancies in the body of the Report.</i>	
Statements to be made by Partner	Procedures to be carried out and Findings to be confirmed by the Auditor
<p>salaries including during parental leave, social security contributions, taxes and other costs included in the remuneration required under national law and the employment contract or equivalent appointing act;</p> <p>V. Employees are hired directly by the Partner in accordance with national law, and work under its sole supervision and responsibility;</p> <p>VI. The Partner remunerates its employees in accordance with its usual practices. This means that personnel costs are charged in line with the Partner's usual payroll policy (e.g. salary policy, overtime policy, variable pay) and no special conditions exist for employees assigned to tasks relating to the European Union or Euratom, unless explicitly provided for in the grant agreement(s);</p> <p>VII. The Partner allocates its employees to the relevant group/category/cost centre for the purpose of the unit cost calculation in line with the usual cost accounting practice;</p> <p>VIII. Personnel costs are based on the payroll system and accounting system.</p> <p>IX. Any exceptional adjustments of actual personnel costs resulted from relevant budgeted or estimated elements and were based on objective and verifiable information. <i>[Please describe the 'budgeted or estimated elements' and their relevance to personnel costs, and explain how they were reasonable and based on objective and verifiable information, present your explanation to the Auditor and annex it to this certificate].</i></p> <p>X. Personnel costs claimed do not contain any of the following ineligible costs: costs related to return on capital; debt and debt service charges; provisions for future losses or debts; interest owed; doubtful debts; currency exchange losses; bank costs charged by the Partner's bank for</p>	<p><i>C and the following sections D to F.</i> <i>[The Auditor has drawn a random sample of 10 full-time equivalents made up of employees assigned to the action(s). If fewer than 10 full-time equivalents are assigned to the action(s), the Auditor has selected a sample of 10 full-time equivalents consisting of all employees assigned to the action(s), complemented by other employees irrespective of their assignments.]. For this sample:</i></p> <ul style="list-style-type: none"> ✓ the Auditor reviewed all documents relating to personnel costs such as employment contracts, payslips, payroll policy (e.g. salary policy, overtime policy, variable pay policy), accounting and payroll records, applicable national tax, labour and social security law and any other documents corroborating the personnel costs claimed; ✓ in particular, the Auditor reviewed the employment contracts of the employees in the sample to verify that: <ul style="list-style-type: none"> i. they were employed directly by the Partner in accordance with applicable national legislation; ii. they were working under the sole technical supervision and responsibility of the latter; iii. they were remunerated in accordance with the Partner's usual practices; iv. they were allocated to the correct group/category/cost centre for the purposes of calculating the unit cost in line with the Partner's usual cost accounting practices; ✓ the Auditor verified that any ineligible items or any costs claimed under other costs categories or costs covered by other types of grant or by other grants financed from the European Union budget have not been taken into account when calculating the personnel

<i>Please explain any discrepancies in the body of the Report.</i>	
Statements to be made by Partner	Procedures to be carried out and Findings to be confirmed by the Auditor
<p>transfers from the EIT; excessive or reckless expenditure; deductible VAT or costs incurred during suspension of the implementation of the action.</p> <p>XI. Personnel costs were not declared under another EU or Euratom grant (including grants awarded by a Member State and financed by the EU budget and grants awarded by bodies other than the EIT for the purpose of implementing the EU budget).</p> <p><u>If additional remuneration as referred to in the grant agreement(s) is paid</u></p> <p>XII. The Partner is a non-profit legal entity;</p> <p>XIII. The additional remuneration is part of the Partner's usual remuneration practices and paid consistently whenever the relevant work or expertise is required;</p> <p>XIV. The criteria used to calculate the additional remuneration are objective and generally applied regardless of the source of funding;</p> <p>XV. The additional remuneration included in the personnel costs used to calculate the hourly rates for the grant agreement(s) is capped at EUR 8 000 per full-time equivalent (reduced proportionately if the employee is not assigned exclusively to the action).</p> <p><i>[If certain statement(s) of section "C. Personnel costs" cannot be endorsed by the Partner they should be listed here below and reported as exception by the Auditor in the main Report of Factual Findings: - ...]</i></p>	<p>costs;</p> <ul style="list-style-type: none"> ✓ the Auditor numerically reconciled the total amount of personnel costs used to calculate the unit cost with the total amount of personnel costs recorded in the statutory accounts and the payroll system. ✓ to the extent that actual personnel costs were adjusted on the basis of budgeted or estimated elements, the Auditor carefully examined those elements and checked the information source to confirm that they correspond to objective and verifiable information; ✓ if additional remuneration has been claimed, the Auditor verified that the Partner was a non-profit legal entity, that the amount was capped at EUR 8 000 per full-time equivalent and that it was reduced proportionately for employees not assigned exclusively to the action(s). ✓ the Auditor recalculated the personnel costs for the employees in the sample. <p>Factual finding:</p> <ol style="list-style-type: none"> 4. All the components of the remuneration that have been claimed as personnel costs are supported by underlying documentation. 5. The employees in the sample were employed directly by the Partner in accordance with applicable national law and were working under its sole supervision and responsibility. 6. Their employment contracts were in line with the Partner's usual policy; 7. Personnel costs were duly documented and consisted solely of salaries, social security contributions (pension contributions, health insurance, unemployment fund contributions, etc.), taxes and other statutory costs

<i>Please explain any discrepancies in the body of the Report.</i>	
Statements to be made by Partner	Procedures to be carried out and Findings to be confirmed by the Auditor
	<p>included in the remuneration (holiday pay, thirteenth month's pay, etc.);</p> <p>8. The totals used to calculate the personnel unit costs are consistent with those registered in the payroll and accounting records;</p> <p>9. To the extent that actual personnel costs were adjusted on the basis of budgeted or estimated elements, those elements were relevant for calculating the personnel costs and correspond to objective and verifiable information. The budgeted or estimated elements used are: — (indicate the elements and their values).</p> <p>10. Personnel costs contained no ineligible elements;</p> <p>11. Specific conditions for eligibility were fulfilled when additional remuneration was paid: a) the Partner is registered in the grant agreements as a non-profit legal entity; b) it was paid according to objective criteria generally applied regardless of the source of funding used and c) remuneration was capped at EUR 8000 per full-time equivalent (or up to up to the equivalent pro-rata amount if the person did not work on the action full-time during the year or did not work exclusively on the action).</p>
<p>D. Productive hours</p> <p>XVI. The number of productive hours per full-time employee applied is <i>[delete as appropriate]</i>:</p> <p>A. 1720 productive hours per year for a person working full-time (corresponding pro-rata for persons not working full time).</p> <p>B. the total number of hours worked in the year by a person for the Partner</p> <p>C. the standard number of annual hours generally applied by the Partner for</p>	<p>Procedure (same sample basis as for Section C: Personnel costs):</p> <ul style="list-style-type: none"> ✓ The Auditor verified that the number of productive hours applied is in accordance with method A, B or C. ✓ The Auditor checked that the number of productive hours per full-time employee is correct and that it is reduced proportionately for employees not exclusively assigned to the action(s). ✓ If method B is applied the Auditor verified i) the manner in which the total

<i>Please explain any discrepancies in the body of the Report.</i>	
Statements to be made by Partner	Procedures to be carried out and Findings to be confirmed by the Auditor
<p>its personnel in accordance with its usual cost accounting practices. This number must be at least 90% of the standard annual workable hours.</p> <p><u>If method B is applied</u></p> <p>XVII. The calculation of the total number of hours worked was done as follows: annual workable hours of the person according to the employment contract, applicable labour agreement or national law plus overtime worked minus absences (such as sick leave and special leave).</p> <p>XVIII. 'Annual workable hours' are hours during which the personnel must be working, at the employer's disposal and carrying out his/her activity or duties under the employment contract, applicable collective labour agreement or national working time legislation.</p> <p>XIX. The contract (applicable collective labour agreement or national working time legislation) do specify the working time enabling to calculate the annual workable hours.</p> <p><u>If method C is applied</u></p> <p>XX. The standard number of productive hours per year is that of a full-time equivalent; for employees not assigned exclusively to the action(s) this number is reduced proportionately.</p> <p>XXI. The number of productive hours per year on which the hourly rate is based i) corresponds to the Partner's usual accounting practices; ii) is at least 90% of the standard number of workable (working) hours per year.</p> <p>XXII. Standard workable (working) hours are hours during which personnel are at the Partner's disposal performing the duties described in the relevant employment contract, collective labour agreement or national labour legislation. The number of</p>	<p>number of hours worked was done and ii) that the contract specified the annual workable hours by inspecting all the relevant documents, national legislation, labour agreements and contracts.</p> <p>✓ If method C is applied the Auditor reviewed the manner in which the standard number of working hours per year has been calculated by inspecting all the relevant documents, national legislation, labour agreements and contracts and verified that the number of productive hours per year used for these calculations was at least 90% of the standard number of working hours per year.</p> <p>Factual finding:</p> <p><u>General</u></p> <p>12. The Partner applied a number of productive hours consistent with method A, B or C detailed in the left-hand column.</p> <p>13. The number of productive hours per year per full-time employee was accurate and was proportionately reduced for employees not working full-time or exclusively for the action.</p> <p><u>If method B is applied</u></p> <p>14. The number of 'annual workable hours', overtime and absences was verifiable based on the documents provided by the Partner and the calculation of the total number of hours worked was accurate.</p> <p>15. The contract specified the working time enabling to calculate the annual workable hours.</p> <p><u>If method C is applied</u></p> <p>16. The calculation of the number of productive hours per year corresponded to the usual costs accounting practice of</p>

<i>Please explain any discrepancies in the body of the Report.</i>	
Statements to be made by Partner	Procedures to be carried out and Findings to be confirmed by the Auditor
<p>standard annual workable (working) hours that the Partner claims is supported by labour contracts, national legislation and other documentary evidence.</p> <p><i>[If certain statement(s) of section "D. Productive hours" cannot be endorsed by the Partner they should be listed here below and reported as exception by the Auditor:</i></p> <p>- ...]</p>	<p>the Partner.</p> <p>17. The calculation of the standard number of workable (working) hours per year was corroborated by the documents presented by the Partner.</p> <p>18. The number of productive hours per year used for the calculation of the hourly rate was at least 90% of the number of workable (working) hours per year.</p>
<p>E. Hourly rates</p> <p>The hourly rates are correct because:</p> <p>XXIII. Hourly rates are correctly calculated since they result from dividing annual personnel costs by the productive hours of a given year and group (e.g. staff category or department or cost centre depending on the methodology applied) and they are in line with the statements made in section C. and D. above.</p> <p><i>[If the statement of section 'E. Hourly rates' cannot be endorsed by the Partner they should be listed here below and reported as exception by the Auditor:</i></p> <p>- ...]</p>	<p>Procedure</p> <ul style="list-style-type: none"> ✓ The Auditor has obtained a list of all personnel rates calculated by the Partner in accordance with the methodology used. ✓ The Auditor has obtained a list of all the relevant employees, based on which the personnel rate(s) are calculated. <p>For 10 full-time equivalent employees selected at random (same sample basis as Section C: Personnel costs):</p> <ul style="list-style-type: none"> ✓ The Auditor recalculated the hourly rates. ✓ The Auditor verified that the methodology applied corresponds to the usual accounting practices of the organisation and is applied consistently for all activities of the organisation on the basis of objective criteria irrespective of the source of funding. <p>Factual finding:</p> <p>19. No differences arose from the recalculation of the hourly rate for the employees included in the sample.</p>
<p>F. Time recording</p> <p>XXIV. Time recording is in place for all persons with no exclusive dedication to one Horizon 2020 action. At least all hours</p>	<p>Procedure</p> <ul style="list-style-type: none"> ✓ The Auditor reviewed the brief description, all relevant manuals and/or internal guidance describing the

<i>Please explain any discrepancies in the body of the Report.</i>	
Statements to be made by Partner	Procedures to be carried out and Findings to be confirmed by the Auditor
<p>worked in connection with the grant agreement(s) are registered on a daily/weekly/monthly basis <i>[delete as appropriate]</i> using a paper/computer-based system <i>[delete as appropriate]</i>;</p> <p>XXV. For persons exclusively assigned to one Horizon 2020 activity the Partner has either signed a declaration to that effect or has put arrangements in place to record their working time;</p> <p>XXVI. Records of time worked have been signed by the person concerned (on paper or electronically) and approved by the action manager or line manager at least monthly;</p> <p>XXVII. Measures are in place to prevent staff from:</p> <ul style="list-style-type: none"> i. recording the same hours twice, ii. recording working hours during absence periods (e.g. holidays, sick leave), iii. recording more than the number of productive hours per year used to calculate the hourly rates, and iv. recording hours worked outside the action period. <p>XXVIII. No working time was recorded outside the action period;</p> <p>XXIX. No more hours were claimed than the productive hours used to calculate the hourly personnel rates.</p> <p><i>[Please provide a brief description of the <u>time recording system</u> in place together with the measures applied to ensure its reliability to the Auditor and annex it to the present certificate⁴].</i></p>	<p>methodology used to record time.</p> <p>The Auditor reviewed the time records of the random sample of 10 full-time equivalents referred to under Section C: Personnel costs, and verified in particular:</p> <ul style="list-style-type: none"> ✓ that time records were available for all persons with not exclusive assignment to the action; ✓ that time records were available for persons working exclusively for a Horizon 2020 action, or, alternatively, that a declaration signed by the Partner was available for them certifying that they were working exclusively for a Horizon 2020 action; ✓ that time records were signed and approved in due time and that all minimum requirements were fulfilled; ✓ that the persons worked for the action in the periods claimed; ✓ that no more hours were claimed than the productive hours used to calculate the hourly personnel rates; ✓ that internal controls were in place to prevent that time is recorded twice, during absences for holidays or sick leave; that more hours are claimed per person per year for Horizon 2020 actions than the number of productive hours per year used to calculate the hourly rates; that working time is recorded outside the action period; ✓ the Auditor cross-checked the information with human-resources records to verify consistency and to

⁴ The description of the time recording system must state among others information on the content of the time records, its coverage (full or action time-recording, for all personnel or only for personnel involved in H2020 actions), its degree of detail (whether there is a reference to the particular tasks accomplished), its form, periodicity of the time registration and authorisation (paper or a computer-based system; on a daily, weekly or monthly basis; signed and countersigned by whom), controls applied to prevent double-charging of time or

<i>Please explain any discrepancies in the body of the Report.</i>	
Statements to be made by Partner	Procedures to be carried out and Findings to be confirmed by the Auditor
<p><i>[If certain statement(s) of section “F. Time recording” cannot be endorsed by the Partner they should be listed here below and reported as exception by the Auditor:</i></p> <p><i>- ...]</i></p>	<p>ensure that the internal controls have been effective. In addition, the Auditor has verified that no more hours were charged to Horizon 2020 actions per person per year than the number of productive hours per year used to calculate the hourly rates, and verified that no time worked outside the action period was charged to the action.</p> <p>Factual finding:</p> <ul style="list-style-type: none"> 20. The brief description, manuals and/or internal guidance on time recording provided by the Partner were consistent with management reports/records and other documents reviewed and were generally applied by the Partner to produce the financial statements. 21. For the random sample time was recorded or, in the case of employees working exclusively for the action, either a signed declaration or time records were available; 22. For the random sample the time records were signed by the employee and the action manager/line manager, at least monthly. 23. Working time claimed for the action occurred in the periods claimed; 24. No more hours were claimed than the number productive hours used to calculate the hourly personnel rates; 25. There is proof that the Partner has checked that working time has not been claimed twice, that it is consistent with absence records and the number of productive hours per year, and that no working time has been claimed outside the action period. 26. Working time claimed is consistent with that on record at the human-resources

ensure consistency with HR-records such as absences and travels as well as it information flow up to its use for the preparation of the Financial Statements.

<i>Please explain any discrepancies in the body of the Report.</i>	
Statements to be made by Partner	Procedures to be carried out and Findings to be confirmed by the Auditor
	department.

[official name of the [Partner] [Linked Third Party]]
[name and title of authorised representative]
[dd Month yyyy]
<Signature of the [Partner] [Linked Third Party]>

[official name of the Auditor]
[name and title of authorised representative]
[dd Month yyyy]
<Signature of the Auditor>

SIGNATURE

For the KIC Partner/new KIC Partner/new KIC LE:
 [function/forename/surname]
 [signature]
 Done in [English] at [place] on [date]

List of international partners participating in the implementation of the action
in accordance with Article 19a of the FPA

Full official name of the international partner	Short name	SME ¹	AREA ²	Official address in full	Website (if available)	KIC Partner concerned

¹ Please refer to the definition of the EC: http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm

² Either “Business”, “Cities, Regions, NGOs”, “Research”, “Higher Education”

Model Specific Grant Agreement

Version 2.0
12 January 2018

European Institute of Innovation and Technology (EIT)

eit.europa.eu



The EIT is a body of the European Union



HISTORY OF CHANGES		
Version	Publication date	Changes
<u>1.0</u>	13.01.2016	<ul style="list-style-type: none"> ▪ Initial version
2.0	12.01.2018	<ul style="list-style-type: none"> ▪ The main changes compared to version 1 of the model Specific Grant Agreement (SGA) are as follows: <ul style="list-style-type: none"> – New SGA provisions on the procurement of KIC Legal Entities (LEs). The EIT has carefully considered all possible options for introducing new provisions in the SGA with the aim of ensuring that the KIC LEs have procurement policies that are aligned with the main requirements of EU public procurement law. The EIT concluded that this objective can be best achieved by introducing a corresponding provision under the Governance principles (Article 19.3.4 SGA) and a reference under the rules on the purchase of goods, works and services (Article 8.1.2.) and subcontracting (Article 11.1.2) referring to the applicable procurement rules. The new SGA provisions are in line with what has been agreed with the KICs as a follow-up of the expert assessments in 2017. They confirm the need for a systemic approach to procurements at the level of the KIC LEs. They also include the entities affiliated to the KIC LEs and the third parties with a legal link to the KIC LEs such as the CLCs, as the same reasoning can be applied to these entities as to the KIC LEs as regards their status under the EU public procurement directives. The new provisions allow the EIT to take a proportionate decision depending on the seriousness of the breach of the procurement rules. Only the most serious breaches affecting best value for money would lead to cost rejections. ▪ Information concerning the new FPA and SGA provisions on international partners. The new FPA and SGA provisions provide a framework for the involvement of international partners not receiving EIT funding. Similarly to the provision concerning linked third parties (Article 19), the new provision of the FPA (Article 19a) refers to a new separate Annex (Annex 7) where the international partners would be listed, if requested so by the KIC concerned. The new SGA provision (Article 12a) indicates the conditions for the involvement of the international partners concerned. The costs of the international partners in question shall be estimated in Annex 2 to the SGA, but will not be reimbursed and will not be taken into account for the calculation of the grant. The new SGA provision also specifies those key non-financial obligations which apply to the international partners, i.e. those relating to record-keeping, reporting, avoiding conflicts of interest, maintaining confidentiality, promoting the KIC and giving visibility to the EIT funding.

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MODEL SPECIFIC AGREEMENT

EIT MODEL SPECIFIC AGREEMENT

No. EIT/[KIC NAME]/SGA[YEAR]/[NUMBER]

This 'Specific Agreement' is **between** the following parties:

on the one part,

The **European Institute of Innovation and Technology ('the EIT')**, represented for the purposes of signature of this Specific Agreement by its Interim Director, Martin Kern,

and

on the other part,

1. The Knowledge and Innovation Community Legal Entity ('the KIC LE'):

[full official name (short name)] , established in **[official address in full]**, VAT number **[insert number]**, represented for the purposes of signing the Specific Agreement by [function, forename and surname], hereinafter referred to as the **"KIC LE"**.

2. and the other Knowledge and Innovation Community ('KIC') Partners listed in Annex 2 of the Framework Partnership Agreement (FPA), represented for the purposes of signing the Specific Agreement by the KIC LE (see the mandate in Annex 4 FPA and Article 62 FPA).

Unless otherwise specified, references to 'KIC Partner' or 'KIC Partners' include the KIC LE.

By entering into the Specific Agreement, the KIC Partners accept the grant and agree to implement the specific action under their own responsibility and in accordance with the Framework Partnership Agreement and this Specific Agreement, with all the obligations and conditions they set out.

The Specific Agreement is composed of:

Terms and Conditions

Annex 1: Description of the specific action

Annex 2: Estimated budget [YEAR];

Annex 3: Model for the financial statements

Annex 4: Model for the certificate on the financial statements

Annex 5: Unit costs for SME owners/natural beneficiaries without salary

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CHAPTER 1 GENERAL

ARTICLE 1 — SUBJECT OF THE AGREEMENT

This Agreement sets out the specific terms and conditions and rights and obligations applicable to the specific grant awarded to the KIC Partners for implementing a specific action under the Framework Partnership Agreement No FPA[YEAR]/EIT/[KIC NAME]/[NUMBER] ('**Framework Partnership Agreement (FPA)**')

CHAPTER 2 ACTION

ARTICLE 2 — ACTION TO BE IMPLEMENTED

The specific action to be implemented is described in Annex 1.

ARTICLE 3 — DURATION AND STARTING DATE OF THE ACTION

The duration of the specific action will be from 1 January [YEAR] ('**starting date of the specific action**') until 31 December [YEAR].

CHAPTER 3 SPECIFIC GRANT

ARTICLE 4 —GRANT AMOUNT, FORM OF GRANT, REIMBURSEMENT RATE AND FORMS OF COSTS

4.1 Financing of the KIC Business Plan

The total cost of the implementation of the KIC Business Plan is estimated at EUR [amount (amount in words)] as set out in Annex 2.

4.2 Maximum grant amount

The '**maximum grant amount**' for the specific grant is EUR [amount (amount in words)]. Out of this maximum grant amount, EUR [amount (amount in words)] shall be earmarked for the implementation of EIT RIS activities and EUR [amount (amount in words)] for the implementation of Cross-KIC activities.

4.3 Form of grant, reimbursement rate and forms of costs

The grant reimburses [...] % of the specific action's eligible costs (see Article 5) ('**reimbursement of eligible costs**') (see Annex 2).

The estimated eligible costs of the specific action are EUR [amount (amount in words)].

Eligible costs (see Article 5) must be declared under the following forms ('**forms of costs**!')

a.) for direct **personnel costs** (excluding personnel costs covered by the unit cost/lump sum under Point (f)):

- as actually incurred costs ('**actual costs**') or
- on the basis of an amount per unit calculated by the KIC Partner in accordance with its usual cost accounting practices ('**unit costs**').

Personnel costs for **SME owners or for KIC Partners that are natural persons** not receiving a salary (see Points A4 and A5 of Article 5.2) must be declared on the basis of the amount per unit set out in Annex 5 (**unit costs**);¹

b.) for direct costs of **subcontracting** (excluding subcontracting costs covered by the unit cost/lump sum under Point (f)): as actually incurred costs (**actual costs**);

c.) for direct costs of **providing financial support to third parties** (excluding costs of financial support covered by the unit cost/lump sum under Point (f)): as actually incurred costs (**actual costs**);

d.) for **other direct costs** (excluding other direct costs covered by the unit cost/lump sum under Point (f)):

- for costs of internally invoiced goods and services: on the basis of an amount per unit calculated by the KIC Partner in accordance with its usual cost accounting practices ('**unit costs**');
- for all other costs: as actually incurred costs (**actual costs**);

e.) for **indirect costs** (excluding indirect costs for the unit cost/lump sum under Point (f)): on the basis of a flat-rate applied as set out in Article 5.2, Point E ('**flat-rate costs**');

f.) for the **unit costs** of

- EIT labelled masters programmes (excluding the management costs),
 - EIT labelled doctoral programmes
- on the basis of the amount(s) per unit set out in Annex 1 in line with Commission Decision No C(2016) 8298 (**unit costs**), and

for the **lump sum costs** of the management of the EIT labelled degrees: as the lump sum set out in Annex 1 in line with Commission Decision No(2016) 8298 (**lump sum cost**).

¹ Commission Decision no C(2013) 8197 on the use of reimbursement on the basis of unit costs for the personnel costs of the owners of small and medium-sized enterprises and beneficiaries that are natural persons not receiving a salary

ARTICLE 5 — ELIGIBLE AND INELIGIBLE COSTS

5.1 General conditions for costs to be eligible

'Eligible costs' are costs of KIC added value activities, which meet the following criteria:

a.) for **actual costs**:

- (i) they must be actually incurred by the KIC Partner;
- (ii) they must be incurred in the period set out in Article 3, with the exception of costs relating to the submission of the final report (see Article 16);
- (iii) they must be indicated in the estimated budget set out in Annex 2;
- (iv) they must be incurred in connection with the specific action as described in Annex 1 and necessary for its implementation;
- (v) they must be identifiable and verifiable, in particular recorded in the KIC Partner's accounts in accordance with the accounting standards applicable in the country where the KIC Partner is established and with the KIC Partner's usual cost accounting practices;
- (vi) they must comply with the applicable national law on taxes, labour and social security, and
- (vii) they must be reasonable, justified and must comply with the principle of sound financial management, in particular regarding economy and efficiency;

b.) for **unit costs**:

- (i) they must be calculated as follows:

 {amounts per unit set out in Annex 5, or in Annex 1 in line with the Commission Decision No C(2016) 8298, or calculated by the KIC Partner in accordance with its usual cost accounting practices (see Article 5.2, Point A and Article 5.2.D.5)}

 multiplied by

 the number of actual units};
- (ii) the number of actual units must comply with the following conditions:
 - the units must be actually used or produced in the period set out in Article 3;

- the units must be necessary for implementing the specific action or produced by it, and
- the number of units must be identifiable and verifiable, in particular supported by records and documentation (see Article 24 FPA).

c.) for **flat-rate costs**:

- (i) they must be calculated by applying the flat-rate set out in Annex 1, and
- (ii) the costs (actual costs or unit costs or lump-sum costs) to which the flat-rate is applied must comply with the conditions for eligibility set out in this Article;

d.) for **lump sum costs**:

- (i) the eligible amount is equal to the amount set out in Annex 1 in line with Commission Decision No(2016) 8298 , and
- (ii) the corresponding tasks or parts of the specific action must have been properly implemented in accordance with Annex 1.

5.2 Specific conditions for costs to be eligible

Costs are eligible if they comply with the general conditions (see above) and the specific conditions set out below for each of the following budget categories:

- A. direct personnel costs;
- B. direct costs of subcontracting;
- C. direct costs of providing financial support to third parties;
- D. other direct costs;
- E. indirect costs;
- F. unit costs of EIT labelled masters programmes (excluding the management costs), unit costs of EIT labelled doctoral programmes; and the lump sum costs of the management of the EIT labelled degrees.

'Direct costs' are costs that are directly linked to the implementation of the specific action and can therefore be attributed to it directly. They must not include any indirect costs (see Point E below).

'Indirect costs' are costs that are not directly linked to the implementation of the specific action and therefore cannot be attributed directly to it.

A. Direct personnel costs (not covered by in Point F)

Types of eligible personnel costs

A.1 Personnel costs are eligible, if they are related to personnel working for the KIC Partner under an employment contract (or equivalent appointing act) and assigned to the specific action ('**costs for employees (or equivalent)**'). They must be limited to salaries (including during parental leave), social security contributions, taxes and other costs included in the remuneration, if they arise from national law or the employment contract (or equivalent appointing act).

The KIC Partners that are non-profit legal entities² may also declare as personnel costs **additional remuneration** for personnel assigned to the action (including payments on the basis of supplementary contracts regardless of their nature), if:

- (a) it is part of the KIC Partner's usual remuneration practices and is paid in a consistent manner whenever the same kind of work or expertise is required;
- (b) the criteria used to calculate the supplementary payments are objective and generally applied by the KIC Partner, regardless of the source of funding used.

'Additional remuneration' means any part of the remuneration which exceeds what the person would be paid for time worked in projects funded by national schemes.

Additional remuneration for personnel assigned to the action is eligible up to the following amount:

- (a) if the person works full time and exclusively on the action during the full year: up to EUR 8 000;
- (b) if the person works exclusively on the action but not full-time or not for the full year: up to the corresponding pro-rata amount of EUR 8 000, or
- (c) if the person does not work exclusively on the action: up to a pro-rata amount calculated as follows:

{{EUR 8 000 divided by

the number of annual productive hours (see below)},

multiplied by

the number of hours that the person has worked on the action during the year}.

A.2 The costs for **natural persons working under a direct contract** with the KIC Partner other than an employment contract are eligible personnel costs, if:

² For the definition, see Article 2.1(14) Rules for Participation Regulation (EU) No 1290/2013: '**non-profit legal entity**' means a legal entity which by its legal form is non-profit-making or which has a legal or statutory obligation not to distribute profits to its shareholders or individual members.

- (a) the person works under conditions similar to those of an employee (in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed);
- (b) the result of the work carried out belongs to the KIC Partner (unless exceptionally agreed otherwise), and
- (c) the costs are not significantly different from those for personnel performing similar tasks under an employment contract with the KIC Partner.

A.3 The costs of **personnel seconded by a third party against payment** are eligible personnel costs if the conditions in Article 9.1 are met.

A.4 **Costs of owners of KIC Partners that are small and medium-sized enterprises ('SME owners')** who are working on the action and who do not receive a salary are eligible personnel costs, if they correspond to the amount per unit set out in Annex 5 multiplied by the number of actual hours worked on the action. In order to allow that the unit costs of SME owners are held eligible, the KIC must properly implement the action and duly document it.

A.5 Costs of **'KIC Partners that are natural persons'** not receiving a salary are eligible personnel costs, if they correspond to the amount per unit set out in Annex 5 multiplied by the number of actual hours worked on the action.

Calculation

Personnel costs must be calculated by the KIC Partners as follows:

{{hourly rate

multiplied by

the number of actual hours worked on the action},

plus

for non-profit legal entities: additional remuneration to personnel assigned to the action under the conditions set out above (Point A.1)}.

The number of actual hours declared for a person must be identifiable and verifiable (see Article 24 FPA).

The total number of hours declared in EIT, EU or Euratom grants, for a person for a year, cannot be higher than the annual productive hours used for the calculations of the hourly rate. Therefore, the maximum number of hours that can be declared for the specific grant are:

{number of annual productive hours for the year (see below)

minus

total number of hours declared by the KIC Partner for that person for that year, for other EIT, EU or Euratom grants}.

The '**hourly rate**' is one of the following:

- (a) for personnel costs declared as **actual costs** (i.e. budget categories A.1, A.2, A.3): the hourly rate is the amount calculated *per full financial year* as follows:

{actual annual personnel costs (excluding additional remuneration) for the person

divided by

the number of annual productive hours}

using the personnel costs and the number of productive hours for each full financial year covered by the reporting period concerned. If a financial year is not closed at the end of the action, the KIC Partners must use the hourly rate of the last closed financial year available.

For the 'number of annual productive hours', the KIC Partners may choose one of the following:

- (i) 'fixed number of hours': 1 720 hours for persons working full time (or corresponding pro-rata for persons not working full time);
- (ii) 'individual annual productive hours': the total number of hours worked by the person in the year for the KIC Partner, calculated as follows:

{annual workable hours of the person (according to the employment contract, applicable collective labour agreement or national law)

plus

overtime worked minus

absences (such as sick leave and special leave)}.

'Annual workable hours' means the period during which the personnel must be working, at the employer's disposal and carrying out his/her activity or duties under the employment contract, applicable collective labour agreement or national working time legislation.

If the contract (or applicable collective labour agreement or national working time legislation) does not allow to determine the annual workable hours, this option cannot be used.

- (iii) 'standard annual productive hours': the 'standard number of annual hours' generally applied by the KIC Partner for its personnel in accordance with its usual cost accounting practices. This number must be at least 90% of the 'standard annual workable hours'.

If there is no applicable reference for the standard annual workable hours, this option cannot be used.

For all options, the actual time spent on **parental leave** by a person assigned to the action may be deducted from the number of annual productive hours;

As an alternative, KIC Partners may calculate the hourly rate *per month*, as follows:

{actual monthly personnel cost (excluding additional remuneration) for the person

divided by

{number of annual productive hours / 12}}

using the personnel costs for each month and (one twelfth of) the annual productive hours calculated according to either option (i) or (iii) above, i.e.:

- fixed number of hours or
- standard annual productive hours.

Time spent on **parental leave** may not be deducted when calculating the hourly rate per month. However, KIC Partners may declare personnel costs incurred in periods of parental leave in proportion to the time the person worked on the action in that financial year.

If parts of a basic remuneration are generated over a period longer than a month, the KIC Partners may include only the share which is generated in the month (irrespective of the amount actually paid for that month).

Each KIC Partner must use only one option (per full financial year or per month) for each full financial year;

- (b) for personnel costs declared on the basis of **unit costs** (i.e. budget categories A.1, A.2, A.4, A.5): the hourly rate is one of the following:

- (i) for SME owners or for KIC Partners that are natural persons: the hourly rate set out in Annex 5 (see Points A.4 and A.5 above), or
- (ii) for personnel costs declared on the basis of the KIC Partner's usual cost accounting practices: the hourly rate calculated by the KIC Partner in accordance with its usual cost accounting practices, if:
 - the cost accounting practices used are applied in a consistent manner, based on objective criteria, regardless of the source of funding;
 - the hourly rate is calculated using the actual personnel costs recorded in the KIC Partner's accounts, excluding any ineligible cost or costs included in other budget categories.

The actual personnel costs may be adjusted by the KIC Partner on the basis of budgeted or estimated elements. Those elements must be relevant for calculating the personnel costs, reasonable and correspond to objective and verifiable information;

and

- the hourly rate is calculated using the number of annual productive hours (see above).

B. Direct costs of subcontracting (not covered by Point F) (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the KIC Partner) are eligible if the conditions in Article 11.1.1 are met.

C. Direct costs of providing financial support to third parties (not covered by Point F)

C.1 Direct costs of providing financial support are eligible if the conditions set out in Article 13.1.1 are met.

C.2 Direct costs of providing financial support in the form of prizes are eligible if the conditions set out in Article 13.2.1 are met.

D. Other direct costs (not covered by Point F)

D.1 Travel costs and related subsistence allowances (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the KIC Partner) are eligible if they are in line with the KIC Partner's usual practices on travel.

D.2 The depreciation costs for equipment, infrastructure or other assets (new or second-hand) as recorded in the KIC Partner's accounts are eligible, if they were purchased in accordance with Article 8.1.1 and written off in accordance with international accounting standards and the KIC Partner's usual accounting practices.

By way of exception, the cost of purchasing equipment, infrastructure or other assets (new or second-hand) as recorded in the KIC Partner's accounts, limited for the purpose of supporting the setting up and the development of the KIC LE and Co-location Centres, planned and budgeted uniquely under the area of management and coordination, is eligible up to EUR 750 000, if the equipment, infrastructure or other asset was purchased in accordance with Article 8.1.1. The use of this option needs to be indicated in Annex 1, subject to prior approval by the EIT.

The costs **of renting or leasing** equipment, infrastructure or other assets (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the KIC Partner are also eligible, if they do not exceed the depreciation costs of similar equipment, infrastructure or assets and do not include any financing fees.

The costs of equipment, infrastructure or other assets **contributed in-kind against payment** are eligible, if they do not exceed the depreciation costs of similar equipment, infrastructure or assets, do not include any financing fees and if the conditions in Article 9.1 are met.

The only portion of the costs that will be taken into account is that which corresponds to the duration of the action and rate of actual use for the purposes of the action.

D.3 Costs for other goods and services (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the KIC Partner are eligible if they are:

- (a) purchased specifically for the specific action and in accordance with Article 8.1.1 or
- (b) contributed in kind against payment and in accordance with Article 9.1.

Such goods and services include, for instance, consumables and supplies, dissemination (including open access), protection of results, certificates on the financial statements (if they are required by the Agreement), certificates on the methodology, translations and publications.

D.4 Capitalised and operating costs of 'large research infrastructure'³ directly used for the specific action are eligible, if:

- (a) the value of the large research infrastructure represents at least 75% of the total fixed assets (at historical value in its last closed balance sheet before the date of the

³ 'Large research infrastructure' means research infrastructure of a total value of at least EUR 20 million, for a KIC Partner, calculated as the sum of historical asset values of each individual research infrastructure of that KIC Partner, as they appear in its last closed balance sheet before the date of the signature of the Agreement or as determined on the basis of the rental and leasing costs of the research infrastructure.

signature of the Agreement or as determined on the basis of the rental and leasing costs of the research infrastructure⁴);

- (b) the KIC Partner's methodology for declaring the costs for large research infrastructure has been positively assessed by the EIT ('**ex-ante assessment**');
- (c) the KIC Partner declares as direct eligible costs only the portion which corresponds to the duration of the action and the rate of actual use for the purposes of the action, and
- (d) they comply with the conditions as further detailed in the annotations to the H2020 Grant Agreements.

D.5 **Costs of internally invoiced goods and services** directly used for the action are eligible, if:

- (a) they are declared on the basis of a unit cost calculated in accordance with the KIC Partner's usual cost accounting practices;
- (b) the cost accounting practices used are applied in a consistent manner, based on objective criteria, regardless of the source of funding;
- (c) the unit cost is calculated using the actual costs for the good or service recorded in the KIC Partner's accounts, excluding any ineligible cost or costs included in other budget categories.

The actual costs may be adjusted by the KIC Partner on the basis of budgeted or estimated elements. Those elements must be relevant for calculating the costs, reasonable and correspond to objective and verifiable information;

- (d) the unit cost excludes any costs of items which are not directly linked to the production of the invoiced goods or service.

'Internally invoiced goods and services' means goods or services which are provided by the KIC Partner directly for the action and which the KIC Partner values on the basis of its usual cost accounting practices.

E. Indirect costs (not covered by Point F)

⁴ For the definition, see Article 2(6) of the H2020 Framework Programme Regulation No 1291/2013: '**Research infrastructure**' are facilities, resources and services that are used by the research communities to conduct research and foster innovation in their fields. Where relevant, they may be used beyond research, e.g. for education or public services. They include: major scientific equipment (or sets of instruments); knowledge-based resources such as collections, archives or scientific data; e-infrastructures such as data and computing systems and communication networks; and any other infrastructure of a unique nature essential to achieve excellence in research and innovation. Such infrastructures may be 'single-sited', 'virtual' or 'distributed'.

Indirect costs are eligible if they are declared on the basis of the flat-rate of 25% of the eligible direct costs (see Article 4.3 and Points A to D above), from which are excluded:

- (a) costs of subcontracting;
- (b) costs of in-kind contributions provided by third parties which are not used on the KIC Partner's premises;
- (c) costs of providing financial support to third parties; and
- (d) unit costs under Article 4.2 (f.) and Point F below, lump sum costs under Article 4.2(f) and Point F below.

KIC Partners receiving an operating grant⁵ financed by the EU or Euratom budget cannot declare indirect costs for the period covered by the operating grant, unless they can demonstrate that the operating grant does not cover any costs of the action.

F. Unit costs and lump sum costs

The unit costs of EIT labelled masters programmes (excluding the management costs) are eligible, if they correspond to the amount per unit set out in Annex 1 in line with Commission Decision No C(2016) 8298, multiplied by the actual number of units. In order to allow that the unit costs of EIT labelled masters programmes are held eligible, the KIC must properly implement the action and duly document it.

The unit costs of EIT labelled doctoral programmes are eligible, if they correspond to the amount per unit set out in Annex 1 in line with Commission Decision No C(2016) 8298, multiplied by the number of actual units. In order to allow that the unit costs of EIT labelled doctoral programmes are held eligible, the KIC must properly implement the action and duly document it.

The lump sum costs of the management of the EIT labelled degrees are eligible, if they correspond to the lump sum set out in Annex 1 in line with Commission Decision No C(2016) 8298, and the corresponding tasks or parts of the action have been properly implemented in accordance with Annex 1. In order to allow that the lump sum costs of the management of the EIT labelled degrees held eligible, the KIC must properly implement the action and duly document it.

5.3 Conditions for costs of linked third parties to be eligible

⁵ For the definition, see Article 121(1)(b) of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 218, 26.10.2012, p.1) ('**Financial Regulation No 966/2012**'): '**operating grant**' means direct financial contribution, by way of donation, from the budget in order to finance the functioning of a body which pursues an aim of general EU interest or has an objective forming part of and supporting an EU policy.

Costs incurred by linked third parties are eligible if they fulfil — mutatis mutandis — the general and specific conditions for eligibility set out in this Article (Article 5.1 and 5.2) and Article 12.1.1.

5.4 Conditions for in-kind contributions provided by third parties free of charge to be eligible

In-kind contributions provided free of charge are eligible direct costs (for the KIC Partner or linked third party), if the costs incurred by the third party fulfil — mutatis mutandis — the general and specific conditions for eligibility set out in this Article (Article 5.1 and 5.2) and Article 10.1.

5.5 Ineligible costs

'Ineligible costs' are:

- (a) costs of implementing KIC complementary activities;
- (b) costs that do not comply with the conditions set out above (Article 5.1 to 5.4), in particular:
 - (i) costs related to return on capital;
 - (ii) debt and debt service charges;
 - (iii) provisions for future losses or debts;
 - (iv) interest owed;
 - (v) doubtful debts;
 - (vi) currency exchange losses;
 - (vii) bank costs charged by the KIC LE's bank for transfers from the EIT;
 - (viii) excessive or reckless expenditure;
 - (ix) deductible VAT;
 - (x) costs incurred during suspension of the implementation of the specific action (see Article 55 FPA);
- (c) costs declared under another EIT, EU or Euratom grant (including grants awarded by a Member State and financed by the EU or Euratom budget and grants awarded by bodies other than the EIT for the purpose of implementing the EU or Euratom budget); in particular, indirect costs if the KIC Partner is already receiving an operating grant financed by the EU or Euratom budget in the same period, unless it can demonstrate that the operating grant does not cover any costs of the action.

5.6 Consequences of declaration of ineligible costs

Declared costs that are ineligible will be rejected (see Article 48 FPA).

This may also lead to any of the other measures described in Section 5 of Chapter 3 of the Framework Partnership Agreement (FPA).

CHAPTER 4 RIGHTS AND OBLIGATIONS OF THE PARTIES

SECTION 1 RIGHTS AND OBLIGATIONS RELATED TO IMPLEMENTING THE SPECIFIC ACTIONS

ARTICLE 6 — RESOURCES TO IMPLEMENT THE SPECIFIC ACTION — THIRD PARTIES INVOLVED IN THE SPECIFIC ACTION

The KIC Partners must have the appropriate resources to implement specific action.

If it is necessary to implement the specific action, the KIC Partners may:

- purchase goods, works and services (see Article 8);
- use in-kind contributions provided by third parties against payment (see Article 9);
- use in-kind contributions provided by third parties free of charge (see Article 10);
- call upon subcontractors to implement action tasks described in Annex 1 (see Article 11);
- call upon linked third parties to implement action tasks described in Annex 1 (see Article 12);
- call upon international partners to implement action tasks described in Annex 1 (see Article 12a)

In these cases, the KIC Partners retain sole responsibility towards the EIT and the other KIC Partners for implementing the specific action.

ARTICLE 7 — IMPLEMENTATION OF ACTION TASKS BY KIC PARTNERS NOT RECEIVING EIT FUNDING

7.1 Rules for the implementation of action tasks by KIC Partners not receiving EIT funding

KIC Partners that request zero funding ('KIC Partners not receiving EIT funding') must implement the specific action tasks attributed to them in Annex 1 in accordance with Article 142 FPA.

Their costs are estimated in Annex 2 but:

- will not be reimbursed and
- will not be taken into account for the calculation of the specific grant (see Articles 4 and Article 17 SGA and Article 10 FPA.)

For KIC Partners not receiving EIT funding which do not have linked third parties receiving EIT funding, Articles 4, 5, 8 to 13, 16.3(b), 16.4(b), 16.6, 17 SGA and Articles 24.1.2, 29a, 32.4, 33.2, 34.1 (with the exception of additional exploitation obligations), 34.2, 36.3, 37.5, 46, 48, 49, 50, 53, 54 FPA do not apply.

They will not be subject to financial checks, reviews and audits under Article 28 FPA for their own costs.

For KIC Partners not receiving EIT funding which have linked third parties receiving EIT funding, Articles 4, 5, 8 to 13, 16.6 SGA and Articles 29a and 46 FPA do not apply.

Articles 32.4, 33.2, 34.1, 34.2, 36.3, 37.5 FPA do not apply to results generated without EU funds.

They will not be subject to financial checks, reviews and audits under Article 28 FPA for their own costs.

KIC Partners not receiving EU funding may provide in-kind contributions to another KIC Partner. In this case, they will be considered as a third party for the purpose of Articles 9 and 10 SGA.

If a KIC Partner requesting zero funding receives funding later on (through an amendment; see Article 61 FPA), all obligations will apply retroactively.

7.2 Consequences of non-compliance

If a KIC Partner not receiving EU funding breaches any of its obligations under this Article, its participation in the Agreement may be terminated (see Article 56 FPA).

Such breaches may also lead to any of the other measures described in Section 5 of Chapter 3 of the Framework Partnership Agreement (FPA) that are applicable to it.

ARTICLE 8 — PURCHASE OF GOODS, WORKS AND SERVICES

8.1 Rules for purchasing goods, works or services

8.1.1 If necessary to implement the specific action, the KIC Partners may purchase goods, works or services.

The KIC Partners must make such purchases ensuring the best value for money or, if appropriate, the lowest price. In doing so, they must avoid any conflict of interests (see Article 41 FPA).

The KIC Partners must ensure that the EIT, the Commission, the European Court of Auditors (ECA) and the European Anti-fraud Office (OLAF) can exercise their rights under Articles 28 and 29 FPA also towards their contractors.

8.1.2 KIC Partners that are ‘contracting authorities’ within the meaning of Directive 2004/18/EC⁶ (or 2014/24/EU⁷) or ‘contracting entities’ within the meaning of Directive 2004/17/EC⁸ (or 2014/25/EU⁹) must comply with the applicable national law on public procurement.

KIC LEs, their affiliated entities and third parties with a legal link must comply with their procurement policy established in accordance with Article 19.3.4. SGA.

8.2 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under Article 8.1.1, the costs related to the contract concerned will be ineligible (see Article 5) and will be rejected (see Article 48 FPA).

If a KIC Partner breaches any of its obligations under Article 8.1.2, the specific grant may be reduced (see Article 49 FPA).

Such breaches may also lead to any of the other measures described in Section 5 of the Framework Partnership Agreement.

ARTICLE 9 — USE OF IN-KIND CONTRIBUTIONS PROVIDED BY THIRD PARTIES AGAINST PAYMENT

9.1 Rules for the use of in-kind contributions against payment

If necessary to implement the specific action, the KIC Partners may use in-kind contributions provided by third parties against payment.

⁶ Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public work contracts, public supply contracts and public service contracts (OJ L 134, 30.04.2004, p. 114).

⁷ Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 94, 28.03.2014, p. 65).

⁸ Directive 2004/17/EC of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors (OJ L 134, 30.04.2004, p. 1).

⁹ Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ L 94, 28.03.2014, p. 243).

The KIC Partners may declare costs related to the payment of in-kind contributions as eligible (see Article 5), up to the third parties' costs for the seconded persons, contributed equipment, infrastructure or other assets or other contributed goods and services.

The third parties and their contributions must be set out in Annex 1. The EIT may however approve in-kind contributions not set out in Annex 1 without amendment (see Article 61 FPA), if:

- they are specifically justified in the final report, and
- their use does not entail changes to the Specific Agreement which would call into question the decision awarding the specific grant or breach the principle of equal treatment of applicants or the KICs.

The KIC Partners must ensure that the EIT, the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 28 and 29 FPA also towards the third parties.

9.2 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the costs related to the payment of the in-kind contribution will be ineligible (see Article 5) and will be rejected (see Article 48 FPA).

Such breaches may also lead to any of the other measures described in Section 5 of Chapter 3 of the Framework Partnership Agreement (FPA).

ARTICLE 10 — USE OF IN-KIND CONTRIBUTIONS PROVIDED BY THIRD PARTIES FREE OF CHARGE

10.1 Rules for the use of in-kind contributions free of charge

If necessary to implement the specific action, the KIC Partners may use in-kind contributions provided by third parties free of charge.

The KIC Partners may declare costs incurred by the third parties for the seconded persons, contributed equipment, infrastructure or other assets or other contributed goods and services as eligible in accordance with Article 5.

The third parties and their contributions must be set out in Annex 1. The EIT may however approve in-kind contributions not set out in Annex 1 without amendment (see Article 61 FPA), if:

- they are specifically justified in the final report, and

- their use does not entail changes to the Specific Agreement which would call into question the decision awarding the specific grant or breach the principle of equal treatment of applicants.

The KIC Partners must ensure that the EIT, the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 28 and 29 FPA also towards the third parties.

10.2 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the costs incurred by the third parties related to the in-kind contribution will be ineligible (see Article 5) and will be rejected (see Article 48 FPA).

Such breaches may also lead to any of the other measures described in Section 5 of Chapter 3 of the Framework Partnership Agreement (FPA).

ARTICLE 11 — IMPLEMENTATION OF ACTION TASKS BY SUBCONTRACTORS

11.1 Rules for subcontracting action tasks

11.1.1 If necessary to implement the specific action, the KIC Partners may award subcontracts covering the implementation of certain action tasks described in Annex 1.

Subcontracting may cover only a limited part of the specific action.

The KIC Partners must award the subcontracts ensuring the best value for money or, if appropriate, the lowest price. In doing so, they must avoid any conflict of interests (see Article 41 FPA).

The tasks to be implemented and the estimated cost for each subcontract must be set out in Annex 1. The EIT may however approve subcontracts not set out in Annex 1 without amendment (see Article 61 FPA), if:

- they are specifically justified in the final report, and
- they do not entail changes to the Specific Agreement which would call into question the decision awarding the specific grant or breach the principle of equal treatment of applicants or the KICs.

The KIC Partners must ensure that the EIT, the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 28 and 29 of the FPA also towards their subcontractors.

11.1.2 The KIC Partners must ensure that their obligations under Articles 41, 42, 44 and 52 of the FPA also apply to the subcontractors.

KIC Partners that are ‘contracting authorities’ within the meaning of Directive 2004/18/EC (or 2014/24/EU) or ‘contracting entities’ within the meaning of Directive 2004/17/EC (or 2014/25/EU) must comply with the applicable national law on public procurement.

KIC LEs, their affiliated entities and third parties with a legal link must comply with their procurement policy established in accordance with Article 19.3.4. SGA.

11.2 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under Article 11.1.1, the costs related to the subcontract concerned will be ineligible (see Article 5) and will be rejected (see Article 48 FPA).

If a KIC Partner breaches any of its obligations under Article 11.1.2, the specific grant may be reduced (see Article 49 FPA).

Such breaches may also lead to any of the other measures described in Section 5 of Chapter 3 of the Framework Partnership Agreement (FPA).

ARTICLE 12 — IMPLEMENTATION OF ACTION TASKS BY LINKED THIRD PARTIES

12.1 Rules for calling upon linked third parties to implement part of the specific action

12.1.1 The linked third parties listed in Annex 5 to the FPA may implement action tasks attributed to them in Annex 1.

They may declare as eligible the costs they incur for implementing the action tasks in accordance with Article 5.

The KIC Partners must ensure that EIT, the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 28 and 29 FPA also towards their linked third parties.

12.1.2 The KIC Partners must ensure that their obligations under Articles 24, 26, 41, 42 and 44 FPA also apply to their linked third parties.

12.2 Consequences of non-compliance

If any obligation under Article 12.1.1 is breached, the costs of the linked third party will be ineligible (see Article 5) and will be rejected (see Article 48 FPA).

If any obligation under Article 12.1.2 is breached, the specific grant may be reduced (see Article 49 FPA).

Such breaches may also lead to any of the other measures described in Section 5 of Chapter 3 of the Framework Partnership Agreement (FPA).

ARTICLE 12a – IMPLEMENTATION OF ACTION TASKS BY INTERNATIONAL PARTNERS

12a.1 Rules for calling upon international partners to implement part of the action

The international partners listed in Annex 7 to the FPA may implement action tasks attributed to them in Annex 1.

The costs of the international partners are estimated in Annex 2 but:

- will not be reimbursed and
- will not be taken into account for the calculation of the grant.

The KIC Partners must ensure that the EIT, the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 28 and 29 FPA also towards their international partners.

The KIC Partners must ensure that their obligations under Articles 24.1.1 FPA, 16.4(a) SGA, 41 FPA, 42 FPA, 44 FPA also apply to their international partners.

12a.2 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the specific grant may be reduced (see Article 49 FPA).

Such breaches may also lead to any of the other measures described in Section 5 of Chapter 3 of the Framework Partnership Agreement.

ARTICLE 13 — FINANCIAL SUPPORT TO THIRD PARTIES

13.1 Rules for providing financial support to third parties

13.1.1 The KIC Partners must provide financial support in accordance with the conditions set out in Annex 1.

At a minimum, these conditions must include:

- (a) the maximum amount of financial support for each third party.

The maximum amount may not exceed EUR 60 000 for each third party, unless it is necessary to achieve the objectives of the specific action as described in Annex 1;

- (b) the criteria for calculating the exact amount of the financial support;

- (c) the different types of activity that qualify for financial support, on the basis of a closed list;
- (d) the persons or categories of persons that may receive financial support, and
- (e) the criteria for giving financial support.

The KIC Partners must ensure that the EIT, Commission, the European Court of Auditors (ECA) and the European Anti-fraud Office (OLAF) can exercise their rights under Articles 28 and 29 FPA also towards the third parties receiving financial support.

13.1.2 The KIC Partners must ensure that their obligations under Articles 41, 42, 44 and 52 FPA also apply to the third parties receiving financial support.

13.2 Financial support in the form of prizes

13.2.1 The KIC Partners must provide prizes in accordance with the conditions described in Annex 1.

At a minimum, these conditions must include:

- (a) the conditions for participation;
- (b) the award criteria;
- (c) the amount of the prize, and
- (d) the payment arrangements.

The KIC Partners must ensure that the EIT, Commission, the European Court of Auditors (ECA) and the European Anti-fraud Office (OLAF) can exercise their rights under Articles 28 and 29 FPA also towards the third parties receiving a prize.

13.2.2 The KIC Partners must ensure that their obligations under Articles 41, 42, 44 and 52 FPA also apply to the third parties receiving a prize.

13.3 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under Articles 13.1.1 or 13.2.1, the costs related to the financial support or prize will be ineligible (see Article 5) and will be rejected (see Article 48 FPA).

If a KIC Partner breaches any of its obligations under Articles 13.1.2 or 13.2.2, the specific grant may be reduced (see Article 49 FPA).

Such breaches may also lead to any of the other measures described in Section 5 of Chapter 3 of the Framework Partnership Agreement (FPA).

ARTICLE 13a — SUPPORT TO OR IMPLEMENTATION OF TRANS-NATIONAL PROJECTS

Not applicable

ARTICLE 14 — PROVISION OF TRANS-NATIONAL OR VIRTUAL ACCESS TO RESEARCH INFRASTRUCTURE

Not applicable

SECTION 2 — RIGHTS AND OBLIGATIONS RELATED TO THE GRANT ADMINISTRATION

ARTICLE 15 — SUBMISSION OF DELIVERABLES

15.1 Obligation to submit deliverables

The KIC LE must submit the '**deliverables**' identified in Annex 1, in accordance with the timing and conditions set out in it.

15.2 Consequences of non-compliance

If the KIC LE breaches any of its obligations under this Article, the EIT may apply any of the measures described in Section 5 of Chapter 3 of the Framework Partnership Agreement (FPA).

ARTICLE 16 — REPORTING — PAYMENT REQUESTS

16.1 Obligation to submit reports

The KIC LE must submit to the EIT (see Article 58 FPA) the final report set out in this Article. This report includes the request for payment of the balance and must be drawn up in conformity with EIT guidelines on reporting and using the forms and templates provided by the EIT (see Article 58 FPA).

16.2 Reporting period

The specific action covers one reporting period from January to December.

16.3 Periodic reports – Requests for interim payments

Not applicable

16.4 Final report – Request for payment of the balance

The KIC LE must submit the final report within 90 days following the end of the period set out in Article 3.

The **final report** must include the following:

(a) a **'technical report'** containing:

- (i) an **explanation of the work carried** out by the KIC Partners in implementing the specific action;
- (ii) an **overview of the progress** towards the objectives of the specific action, including milestones and deliverables identified in Annex 1;

This report must include explanations justifying the differences between work expected to be carried out in accordance with Annex 1 and that actually carried out;

- (iii) a **summary** for publication by the EIT;
- (iv) an **overview of the results** and their exploitation and dissemination;
- (v) the **conclusions on the specific action**, and
- (vi) a description of the **socio-economic impact** of the specific action;

(b) a **'financial report'** containing:

- (i) an **'individual financial statement'** (see Annex 3) from each KIC Partner and from each linked third party, for the period set out in Article 3.

The individual financial statement must detail the eligible costs (actual costs, unit costs, flat-rate costs and lump sum costs; see Article 5) for each budget category (see Annex 2).

The KIC Partners and linked third parties must declare all eligible costs, even if — for actual costs, unit costs and flat-rate costs — they exceed the amounts indicated in the estimated budget (see Annex 2). Amounts which are not declared in the individual financial statement will not be taken into account by the EIT.

The individual financial statements must also detail the receipts of the specific action (see Article 10 FPA).

Each KIC Partner and each linked third party must certify that:

- the information provided is full, reliable and true;

- the costs declared are eligible (see Article 5);
 - the costs can be substantiated by adequate records and supporting documentation (see Article 24 FPA) that will be produced upon request (see Article 23 FPA) or in the context of checks, reviews, audits and investigations (see Article 28 FPA), and
 - that all the receipts have been declared (see Article 10 FPA);
- (ii) an **explanation of the use of resources and the information on subcontracting** (see Article 18 FPA) and in-kind contributions provided by third parties (see Articles 16 and 17 FPA) from each KIC Partner and from each linked third party for the period set out in Article 3;
- (iii) a **'summary financial statement'**, consolidating the individual financial statements including the request for payment of the balance and
- (iv) a **'certificate on the financial statement'** (drawn up in accordance with Annex 4) for each KIC Partner and for each linked third party, if it requests a total contribution of EUR 325 000 or more, as reimbursement of actual costs and unit costs calculated on the basis of its usual cost accounting practices (see Articles 4.2 and 5.2).

16.5 Information on cumulative expenditure occurred

Not applicable

16.6 Currency for financial statements and conversion into euro

Financial statements must be drafted in euro.

KIC Partners and linked third parties with accounting established in a currency other than the euro must convert the costs recorded in their accounts into euro at the average of the daily exchange rates published in the C series of the Official Journal of the European Union calculated over the corresponding reporting period.

If no daily euro exchange rate is published in the Official Journal of the European Union for the currency in question, they must be converted at the average of the monthly accounting rates published on the Commission's website calculated over the corresponding reporting period.

KIC Partners and linked third parties with accounting established in euro must convert costs incurred in another currency into euro according to their usual accounting practices.

16.7 Language of reports

The final report must be submitted in English.

16.8 Consequences of non-compliance

If the final report submitted does not comply with this Article, the EIT may suspend the payment deadline (see Article 53 FPA) and apply any of the other measures described in Section 5 of Chapter 3 of the Framework Partnership Agreement (FPA).

If the KIC LE breaches its obligation to submit the final report and if it fails to comply with this obligation within 30 days following a written reminder sent by the EIT, the EIT may terminate the Specific Agreement (see Article 56 FPA) or apply any of the other measures described in Section 5 of Chapter 3 of the Framework Partnership Agreement (FPA).

ARTICLE 17 — PAYMENTS AND PAYMENT ARRANGEMENTS

17.1 Payments to be made

The following payments will be made to the KIC LE:

- one **pre-financing payment**;
- one **payment of the balance**, on the basis of the request for payment of the balance (see Article 16).

17.2 Pre-financing payment — Amount — Amount retained for the Guarantee Fund

The aim of the pre-financing is to provide the KIC Partners with a float.

It remains the property of the EIT until the payment of the balance.

The amount of the pre-financing payment will be EUR [amount (amount in words)].

The EIT will — except if Article 54 FPA applies — make the pre-financing payment to the KIC LE within 30 days either from the entry into force of the Specific Agreement (see Article 21) or from 10 days before the starting date of the specific action (see Article 3), whichever is the latest.

An amount of EUR [amount (amount in words)] corresponding to 5% of the maximum grant amount (see Article 4.2), is retained by the EIT from the pre-financing payment and transferred into the 'Guarantee Fund'.

17.3 Interim payments — Amount — Calculation

Not applicable

17.4 Payment of the balance — Amount — Calculation — Release of the amount retained for the Guarantee Fund

The payment of the balance reimburses the remaining part of the eligible costs incurred by the KIC Partners for the implementation of the specific action.

If the total amount of earlier payments is greater than the final grant amount (see Article 10 FPA), the payment of the balance takes the form of a recovery (see Article 50 FPA).

If the total amount of earlier payments is lower than the final grant amount, the EIT will pay the balance within 90 days from receiving the final report (see Article 16), except if Articles 53 or 54 FPA apply.

Payment is subject to the approval of the final report. Its approval does not imply recognition of the compliance, authenticity, completeness or correctness of its content.

The **amount due as the balance** is calculated by the EIT by deducting the pre-financing payment already made, from the final grant amount determined in accordance with Article 10 FPA:

{final grant amount (see Article 10 of the Framework Partnership Agreement)

minus

{pre-financing payment (if any) made}}.

At the payment of the balance, the amount retained for the Guarantee Fund (see above) will be released and:

- if the balance is positive: the amount released will be paid in full to the KIC LE together with the amount due as the balance;
- if the balance is negative (payment of the balance taking the form of recovery): it will be deducted from the amount released (see Article 50 FPA). If the resulting amount:
 - is positive, it will be paid to the KIC LE
 - is negative, it will be recovered.

The amount to be paid may however be offset — without the KIC Partner's consent — against any other amount owed by a KIC Partner to the EIT, up to the maximum EIT contribution indicated, for that KIC Partner, in the estimated budget (see Annex 2).

17.5 Notification of amounts due

When making payments, the EIT will formally notify to the KIC LE the amount due as the payment of the balance, specifying the final grant amount.

In the case of reduction of the specific grant or recovery of undue amounts, the notification will be preceded by the contradictory procedure set out in Articles 49 and 50 FPA.

17.6 Currency for payments

The EIT will make all payments in euro.

17.7 Payments to the KIC LE — Distribution to the KIC Partners

Payments will be made to the KIC LE.

Payments to the KIC LE will discharge the EIT from its payment obligation.

The KIC LE must distribute the payments between the KIC Partners without unjustified delay.

Pre-financing may however be distributed only:

- (a) if the minimum number of KIC Partners set out in the call for proposals has acceded to the Framework and Specific Agreement (see Article 62 FPA) and
- (b) to KIC Partners that have entered into the Specific Agreement (see Article 62 FPA).

17.8 Bank account for payments

All payments will be made to the following bank account:

Name of bank: [...]
Full name of the account holder: [...]
Full account number (including bank codes): [...]
IBAN code: [...]

17.9 Costs of payment transfers

The cost of the payment transfers is borne as follows:

- the EIT bears the cost of transfers charged by its bank;
- the KIC Partner bears the cost of transfers charged by its bank;
- the party causing a repetition of a transfer bears all costs of the repeated transfer.

17.10 Date of payment

Payments by the EIT are considered to have been carried out on the date when they are debited to its account.

17.11 Consequences of non-compliance

17.11.1 If the EIT does not pay within the payment deadlines (see above), the KIC Partners are entitled to **late-payment interest** at the rate applied by the European Central Bank (ECB) for its main refinancing operations in euros ('reference rate'), plus three and a half points. The reference rate is the rate in force on the first day of the month in which the payment deadline expires, as published in the C series of the *Official Journal of the European Union*.

If the late-payment interest is lower than or equal to EUR 200, it will be paid to the KIC LE only upon request submitted within two months of receiving the late payment.

Suspension of the payment deadline or payments (see Articles 53 and 54 FPA) will not be considered as late payment.

Late-payment interest covers the period running from the day following the due date for payment (see above), up to and including the date of payment.

Late-payment interest is not considered for the purposes of calculating the final grant amount.

17.11.2 If the KIC LE breaches any of its obligations under this Article, the specific grant may be reduced (see Article 49 FPA) and the Specific Agreement may be terminated (see Article 56 FPA).

Such breaches may also lead to any of the other measures described in Section 5 of Chapter 3 of the Framework Partnership Agreement (FPA).

SECTION 3 RIGHTS AND OBLIGATIONS RELATED TO PRE-EXISTING RIGHTS (BACKGROUND) AND RESULTS

ARTICLE 18 — ADDITIONAL RIGHTS AND OBLIGATIONS RELATED TO BACKGROUND AND RESULTS

Not applicable

CHAPTER 5 DIVISION OF KIC PARTNERS' ROLES AND RESPONSIBILITIES — RELATIONSHIP WITH COMPLEMENTARY BENEFICIARIES — RELATIONSHIP WITH PARTICIPANTS OF A JOINT ACTION

ARTICLE 19 — DIVISION OF KIC PARTNERS' ROLES AND RESPONSIBILITIES — RELATIONSHIP WITH COMPLEMENTARY BENEFICIARIES — RELATIONSHIP WITH PARTICIPANTS OF A JOINT ACTION

19.1 Relationship with complementary beneficiaries — Collaboration agreement

Not applicable

19.2 Relationship with partners of a joint action — Coordination agreement

Not applicable

19.3 Governance

19.3.1 The KIC LE and KIC Partners must have a governance structure that:

- a) Reflects the diversity in the composition of the partnership, in particular the balance within the knowledge triangle;
- b) Separates ownership/membership from operational management;
- c) Ensures an open and high-quality decision-making process, composed of top-management from KIC Partners' as well as independent high-level members;
- d) Separates the supervisory function from the operations and integrates a system of checks and balances, the body with supervisory function should have an independent chairperson;
- e) Has a size allowing to function in an effective and efficient way.

The members of the governance structure must act in the best interest of the KIC, safeguarding its goals, mission and identity, in an independent way.

19.3.2. The KIC LE and KIC Partners must have an effective operational structure ensuring that the KIC management has executive power to implement the integrated KIC Strategic Agenda and yearly KIC Business Plans.

The KIC management must act in the best interest of the KIC, safeguarding its goals, mission and identity, independently from the particular interest of individual KIC Partners.

19.3.3. The KIC LE and KIC Partners must have a code of good conduct including a policy on conflict of interests.

19.3.4. The KIC LE, its affiliated entities and third parties with a legal link must have a procurement policy in place ensuring compliance with the main principles of transparency, equal treatment, non-discrimination and competition. The procurement policy of KIC LEs, its affiliated entities and third parties with a legal link that are funded, for the most part, by public funds (including EIT, other EU and national funds) shall comply with the substantive requirements of EU public procurement law, as laid down in Directive 2014/24/EU on public procurement.

19.3.5. These principles shall be transposed in the KIC Internal Agreements.

19.3.6. The KIC LE will notify the EIT of the above arrangements, its code of conduct, its procurement policy and any modifications of these documents.

CHAPTER 6 REJECTION OF COSTS — REDUCTION OF THE GRANT — RECOVERY — PENALTIES — DAMAGES — SUSPENSION — TERMINATION — FORCE MAJEURE

ARTICLE 20 — ADDITIONAL GROUNDS FOR TERMINATION

Not applicable

CHAPTER 7 FINAL PROVISIONS

ARTICLE 21 — ENTRY INTO FORCE OF THE SPECIFIC AGREEMENT

The Specific Agreement will enter into force on the day of signature by the EIT or the KIC LE, depending on which is later.

SIGNATURES

For the KIC LE

For the EIT

[function/forename/surname]

[function/forename/surname]

Done in English

Done in English

at _____ on _____ [year]

at _____ on _____ [year]

PLACEHOLDER FOR DESCRIPTION OF THE SPECIFIC ACTION
(KIC BUSINESS PLAN)

Estimated budget

Estimated budget for Year N KIC Business Plan (in EURO) (activity based)

1. The estimated budget must be provided at the level of specific activity. The Activity Titles used in the estimated budget shall be identical with those presented in the Business Plan and Annexes;
2. Budget Heading corresponds to the Area as described in the Business Plan (e.g. Education; Research; Business; EIT RIS; Governance, management and communication);
3. Budget Subheading (if applicable) corresponds to the Segment (if applicable) as described in the Business Plan (e.g.: master, doctoral, continuous professional development programmes within the education area, thematic scope of innovation projects, etc.);
4. Budget Item corresponds to the KIC Activity (e.g.: specific master, specific doctoral school within the education area, specific innovation projects, etc.) as described in the Business Plan;
5. Costs of governance, management, including operational costs of the KIC Legal Entity and co-location centres should be budgeted under a separate area/heading. These will also include the costs of services that directly derived from the requirements of the SGA. For the estimation of EIT contribution of salaries at the KIC management (i.e. KIC LE and co-location centres), the remuneration levels according to the EU Staff Regulations shall be considered as benchmark. This benchmark concerns only the EIT contribution while KIC has own autonomy and responsibility with regards to their employees and overall salary levels set. Deviations from this approach are possible but should be justified. The transition plan including applicable thresholds agreed between EIT and KICs shall be respected.¹
6. EIT RIS specific costs should be budgeted under a separate area/ segment.
7. The overall percentage of EIT funding under KAVA shall be applied as the single reimbursement rate introduced in the SGA. This rate shall be used at reimbursement of eligible cost of KAVA².

Title	KIC Added Value Activities (KAVA)					(E) KIC complementary activities (KCA)		KIC ACTIVITIES (KAVA+KCA)
	Costs	Sources of Funding						(A)+(E) Total
	(A) Total costs	(B) EIT grant	(C) KIC LE / KIC Partners/Linked third parties	(D) Other				
[X]. Total of Area								
X.Y Total of Segment								

¹ For further details please consult the document entitled 'Transition plan for EIT funded part of KIC management and overhead costs'

² For further details please consult the explanatory note entitled 'Implications of single grant rate in FPA / SGA'

X.Y.1 Activity Title						
X.Y.2 Activity Title						
X.2 Total of Segment						
X.Y.1. Activity Title						
Total [1+2+3+X]						
Funding rate (in %)						

(A) Estimated full costs of KIC Added Value activities (KAVA), both direct (including financial support to third parties and sub-contracting) and indirect.

(B), (C), (D) Breakdown of estimated sources of funding to fund KAVA costs applying a single reimbursement rate: EIT grant, KIC Partner/LE/Linked Third Party and Other

(E) Estimated full costs of KCA

(A+E): Total costs of KIC activity: sum of KAVA and KCA costs

Estimated budget for Year N KIC Business Plan (in EURO) (KIC Partner / linked third party based)

KIC Partner / linked third party	Indicative KAVA cost	Indicative EIT contribution
TOTAL EIT CONTRIBUTION		

KIC XXXX Summary Financial Report & Signature
Grant Agreement [year N]

Cost Summary for KIC Added Value Activities (amounts in Euro)										
Title	A. Direct Personnel Costs	B. Direct costs of subcontracting	C. Financial support to third parties	D. Other direct costs					E. Indirect costs	Total KAVA
				D1. Travel	D2. Equipment	D3. Cost of other goods and services	D4. Cost of large infrastructure	D5. Costs of internally invoiced goods and services		
Area-1										
Area-2										
Area-3										
Area-4										
Area-5										
Total KAVA costs										

Funding summary of EIT funded KIC added value activities (amounts in Euro)						
Area	EIT	KIC Partner	Receipts			Total EIT funded KAVA
			National / Regional	Private	Other sources	
Total funding						

Funding summary of non-EIT funded KIC added value activities (amounts in Euro)						
Area	KIC Partner	European Union (non- EIT)	National / Regional	Private	Other sources	Total non-EIT funded KAVA
Total funding						

Funding summary of KIC complementary activities (amounts in Euro)						
Area	KIC Partner	European Union (non- EIT)	National / Regional	Private	Other sources	Total KCA
Total funding						

KIC LE's statement		
I as CEO certify that:		
<div><input type="radio"/></div>	the information provided is full, reliable and true	
<div><input type="radio"/></div>	The costs declared are eligible (see Article 5 of the SGA)	
<div><input type="radio"/></div>	the costs can be substantiated by adequate records and supporting documentation (see Article 24 of the FPA) that will be produced upon request (see Article 23 of the FPA) or in the context of checks, reviews, audits and investigations (see Article 28 of the FPA), and	
<div><input type="radio"/></div>	all the receipts have been declared (see Article 10 of the FPA)	
KIC LE stamp		
	CEO	
	Date	
	Signature	

MODEL FOR THE CERTIFICATE ON THE FINANCIAL STATEMENTS

- For options [*in italics in square brackets*]: choose the applicable option. Options not chosen should be deleted.
- For fields in [grey in square brackets]: enter the appropriate data

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TERMS OF REFERENCE FOR AN INDEPENDENT REPORT OF FACTUAL FINDINGS ON COSTS DECLARED UNDER A GRANT AGREEMENT FINANCED UNDER THE HORIZON 2020 RESEARCH FRAMEWORK PROGRAMME2

INDEPENDENT REPORT OF FACTUAL FINDINGS ON COSTS DECLARED UNDER A GRANT AGREEMENT FINANCED UNDER THE HORIZON 2020 RESEARCH FRAMEWORK PROGRAMME 6

Terms of Reference for an Independent Report of Factual Findings on costs declared under a Specific Agreement financed under the Horizon 2020 Research and Innovation Framework Programme

This document sets out the ‘Terms of Reference (ToR)’ under which

[OPTION 1: *[insert name of the KIC partner]* (*‘the KIC Partner’*)] [OPTION 2: *[insert name of the linked third party]* (*‘the Linked Third Party’*), third party linked to the KIC Partner *[insert name of the KIC partner]* (*‘the KIC Partner’*)]

agrees to engage

[insert legal name of the auditor] (*‘the Auditor’*)

to produce an independent report of factual findings (*‘the Report’*) concerning the Financial Statement(s)¹ drawn up by the *[KIC Partner]* *[Linked Third Party]* for the Horizon 2020 Specific Agreement *[insert number of the specific agreement, title of the specific action, acronym and duration from/to]* (*‘the Agreement’*), and

to issue a Certificate on the Financial Statements’ (*‘CFS’*) referred to in Article 16 of the Specific Agreement based on the compulsory reporting template stipulated by the Commission.

The Agreement has been concluded under the Horizon 2020 Research and Innovation Framework Programme (H2020) between the KIC LE on behalf of the KIC Partner and EIT.

The EIT is mentioned as a signatory of the Agreement with the KIC LE on behalf of the *KIC Partner* only. The EIT is not a party to this engagement.

1.1 Subject of the engagement

The KIC LE must submit to the EIT the final report within 60 days following the end of the last reporting period which should include, amongst other documents, a CFS for each KIC *partner* and for each linked third party that requests a total contribution of EUR 325 000 or more, as reimbursement of actual costs and unit costs calculated on the basis of its usual cost accounting practices (see Article 16 of the Specific Agreement). The CFS must cover all reporting periods of the KIC partner or linked third party indicated above.

The *KIC Partner* must submit to the EIT the CFS for itself and for its linked third party(ies), if the CFS must be included in the final report according to Article 16 of the Specific Agreement.

The CFS is composed of two separate documents:

- The Terms of Reference (*‘the ToR’*) to be signed by the *[KIC Partner]* *[Linked Third Party]* and the Auditor;
- The Auditor’s Independent Report of Factual Findings (*‘the Report’*) to be issued on the Auditor’s letterhead, dated, stamped and signed by the Auditor (or the competent public officer) which includes the agreed-upon procedures (*‘the Procedures’*) to be performed by the Auditor, and the standard factual findings (*‘the Findings’*) to be confirmed by the Auditor.

¹ By which costs under the Agreement are declared (see template ‘Model Financial Statements’ in Annex 3 to the Specific Agreement).

If the CFS must be included in the final report according to Article 16 of the Specific Agreement, the request for payment of the balance relating to the Agreement cannot be made without the CFS. However, the payment for reimbursement of costs covered by the CFS does not preclude the Commission, the EIT, the European Anti-Fraud Office and the European Court of Auditors from carrying out checks, reviews, audits and investigations in accordance with Article 28 of the Framework Partnership Agreement.

1.2 Responsibilities

The *[KIC Partner] [Linked Third Party]*:

- must draw up the Financial Statement(s) for the action financed by the Agreement in compliance with the obligations under the Agreement. The Financial Statement(s) must be drawn up according to the *[KIC Partner's] [Linked Third Party's]* accounting and book-keeping system and the underlying accounts and records;
- must send the Financial Statement(s) to the Auditor;
- is responsible and liable for the accuracy of the Financial Statement(s);
- is responsible for the completeness and accuracy of the information provided to enable the Auditor to carry out the Procedures. It must provide the Auditor with a written representation letter supporting these statements. The written representation letter must state the period covered by the statements and must be dated;
- accepts that the Auditor cannot carry out the Procedures unless it is given full access to the *[KIC Partner's] [Linked Third Party's]* staff and accounting as well as any other relevant records and documentation.

The Auditor:

- *[Option 1 by default: is qualified to carry out statutory audits of accounting documents in accordance with Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC or similar national regulations].*
- *[Option 2 if the KIC Partner or Linked Third Party has an independent Public Officer: is a competent and independent Public Officer for which the relevant national authorities have established the legal capacity to audit the KIC Partner].*
- *[Option 3 if the KIC Partner or Linked Third Party is an international organisation: is an [internal] [external] auditor in accordance with the internal financial regulations and procedures of the international organisation].*

The Auditor:

- must be independent from the KIC Partner *[and the Linked Third Party]*, in particular, it must not have been involved in preparing the *[KIC Partner's] [Linked Third Party's]* Financial Statement(s);
- must plan work so that the Procedures may be carried out and the Findings may be assessed;
- must adhere to the Procedures laid down and the compulsory report format;
- must carry out the engagement in accordance with this ToR;
- must document matters which are important to support the Report;
- must base its Report on the evidence gathered;
- must submit the Report to the *[KIC Partner] [Linked Third Party]*.

The Commission sets out the Procedures to be carried out by the Auditor. The Auditor is not responsible for their suitability or pertinence. As this engagement is not an assurance engagement, the Auditor does not provide an audit opinion or a statement of assurance.

1.3 Applicable Standards

The Auditor must comply with these Terms of Reference and with²:

- the International Standard on Related Services ('ISRS') 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* as issued by the International Auditing and Assurance Standards Board (IAASB);
- the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (IESBA). Although ISRS 4400 states that independence is not a requirement for engagements to carry out agreed-upon procedures, the EIT requires that the Auditor also complies with the Code's independence requirements.

The Auditor's Report must state that there is no conflict of interests in establishing this Report between the Auditor and the KIC Partner *[and the Linked Third Party]*, and must specify - if the service is invoiced - the total fee paid to the Auditor for providing the Report.

1.4 Reporting

The Report must be written in the language of the Agreement (see Article 16 SGA).

Under Article 28 of the Framework Partnership Agreement, the Commission, the EIT, the European Anti-Fraud Office and the Court of Auditors have the right to audit any work that is carried out under the specific action and for which costs are declared from EIT budget. This includes work related to this engagement. The Auditor must provide access to all working papers (e.g. recalculation of hourly rates, verification of the time declared for the action) related to this assignment if the Commission, the EIT, Commission, the European Anti-Fraud Office or the European Court of Auditors requests them.

1.5 Timing

The Report must be provided by [dd Month yyyy].

1.6 Other terms

[The [KIC Partner] [Linked Third Party] and the Auditor can use this section to agree other specific terms, such as the Auditor's fees, liability, applicable law, etc. Those specific terms must not contradict the terms specified above.]

[legal name of the Auditor]	[legal name of the [KIC Partner][Linked Third Party]]
[name & function of authorised representative]	[name & function of authorised representative]
[dd Month yyyy]	[dd Month yyyy]
Signature of the Auditor	Signature of the [KIC Partner][Linked Third Party]

² Supreme Audit Institutions applying INTOSAI-standards may carry out the Procedures according to the corresponding International Standards of Supreme Audit Institutions and code of ethics issued by INTOSAI instead of the International Standard on Related Services ('ISRS') 4400 and the Code of Ethics for Professional Accountants issued by the IAASB and the IESBA.

Independent Report of Factual Findings on costs declared under Horizon 2020 Research and Innovation Framework Programme

(To be printed on the Auditor's letterhead)

To

[name of contact person(s)], [Position]
[*[KIC Partner's]* *[Linked Third Party's]* name]
[Address]
[dd Month yyyy]

Dear [Name of contact person(s)],

As agreed under the terms of reference dated [dd Month yyyy]

with [OPTION 1: *[insert name of the KIC partner]* ('the KIC Partner')] [OPTION 2: *[insert name of the linked third party]* ('the Linked Third Party'), third party linked to the KIC Partner *[insert name of the KIC partner]* ('the KIC Partner')],

we

[name of the auditor] ('the Auditor'),

established at

[full address/city/state/province/country],

represented by

[name and function of an authorised representative],

have carried out the procedures agreed with you regarding the costs declared in the Financial Statement(s)³ of the *[KIC Partner]* *[Linked Third Party]* concerning the Specific Agreement
[insert specific agreement reference: number, title of the action and acronym] ('the Agreement'),

with a total cost declared of

[total amount] EUR,

and a total of actual costs and 'direct personnel costs declared as unit costs calculated in accordance with the *[KIC Partner's]* *[Linked Third Party's]* usual cost accounting practices' declared of

[sum of total actual costs and total direct personnel costs declared as unit costs calculated in accordance with the *[KIC Partner's]* *[Linked Third Party's]* usual cost accounting practices] EUR

and **hereby provide our Independent Report of Factual Findings ('the Report')** using the compulsory report format agreed with you.

The Report

Our engagement was carried out in accordance with the terms of reference ('the ToR') appended to this Report. The Report includes the agreed-upon procedures ('the Procedures') carried out and the standard factual findings ('the Findings') examined.

³ By which the KIC Partner declares costs under the Specific Agreement (see template 'Model Financial Statement' in Annex 3 to the Specific Agreement).

The Procedures were carried out solely to assist the EIT in evaluating whether the [KIC partner's] [Linked Third Party's] costs in the accompanying Financial Statement(s) were declared in accordance with the Agreement. The EIT draws its own conclusions from the Report and any additional information it may require.

The scope of the Procedures was defined by the Commission. Therefore, the Auditor is not responsible for their suitability or pertinence. Since the Procedures carried out constitute neither an audit nor a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, the Auditor does not give a statement of assurance on the Financial Statements.

Had the Auditor carried out additional procedures or an audit of the [KIC Partner's] [Linked Third Party's] Financial Statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to its attention and would have been included in the Report.

Not applicable Findings

We examined the Financial Statement(s) stated above and considered the following Findings not applicable:

Explanation (to be removed from the Report):

If a Finding was not applicable, it must be marked as 'N.A.' ('Not applicable') in the corresponding row on the right-hand column of the table and means that the Finding did not have to be corroborated by the Auditor and the related Procedure(s) did not have to be carried out.

The reasons of the non-application of a certain Finding must be obvious i.e.

- i) if no cost was declared under a certain category then the related Finding(s) and Procedure(s) are not applicable;*
- ii) if the condition set to apply certain Procedure(s) are not met the related Finding(s) and those Procedure(s) are not applicable. For instance, for KIC Partners with accounts established in a currency other than euro' the Procedure and Finding related to 'KIC partners with accounts established in euro' are not applicable. Similarly, if no additional remuneration is paid, the related Finding(s) and Procedure(s) for additional remuneration are not applicable.*

List here all Findings considered not applicable for the present engagement and explain the reasons of the non-applicability.

....

Exceptions

Apart from the exceptions listed below, the [KIC Partner] [Linked Third Party] provided the Auditor all the documentation and accounting information needed by the Auditor to carry out the requested Procedures and evaluate the Findings.

Explanation (to be removed from the Report):

- If the Auditor was not able to successfully complete a procedure requested, it must be marked as 'E' ('Exception') in the corresponding row on the right-hand column of the table. The reason*

such as the inability to reconcile key information or the unavailability of data that prevents the Auditor from carrying out the Procedure must be indicated below.

- *If the Auditor cannot corroborate a standard finding after having carried out the corresponding procedure, it must also be marked as 'E' ('Exception') and, where possible, the reasons why the Finding was not fulfilled and its possible impact must be explained here below.*

List here any exceptions and add any information on the cause and possible consequences of each exception, if known. If the exception is quantifiable, include the corresponding amount.

....

Example (to be removed from the Report):

1. *The KIC Partner was unable to substantiate the Finding number 1 on ... because*
2. *Finding number 30 was not fulfilled because the methodology used by the KIC partner to calculate unit costs was different from the one approved by the Commission. The differences were as follows: ...*
3. *After carrying out the agreed procedures to confirm the Finding number 31, the Auditor found a difference of _____ EUR. The difference can be explained by ...*

Further Remarks

In addition to reporting on the results of the specific procedures carried out, the Auditor would like to make the following general remarks:

Example (to be removed from the Report):

1. *Regarding Finding number 8 the conditions for additional remuneration were considered as fulfilled because ...*
2. *In order to be able to confirm the Finding number 15 we carried out the following additional procedures:*

Use of this Report

This Report may be used only for the purpose described in the above objective. It was prepared solely for the confidential use of the [KIC Partner] [Linked Third Party] and the EIT, and only to be submitted to the EIT in connection with the requirements set out in Article 16 of the Specific Agreement. The Report may not be used by the [KIC Partner] [Linked Third Party] or by the EIT for any other purpose, nor may it be distributed to any other parties. The EIT may only disclose the Report to authorised parties, in particular to the European Anti-Fraud Office (OLAF) and the European Court of Auditors.

This Report relates only to the Financial Statement(s) submitted to the EIT by the [KIC Partner] [Linked Third Party] for the Agreement. Therefore, it does not extend to any other of the [KIC Partner's] [Linked Third Party's] Financial Statement(s).

There was no conflict of interest⁴ between the Auditor and the KIC Partner *[and Linked Third Party]* in establishing this Report. The total fee paid to the Auditor for providing the Report was EUR [REDACTED] (including EUR [REDACTED] of deductible VAT).

We look forward to discussing our Report with you and would be pleased to provide any further information or assistance.

[legal name of the Auditor]

[name and function of an authorised representative]

[dd Month yyyy]

Signature of the Auditor

⁴ A conflict of interest arises when the Auditor's objectivity to establish the certificate is compromised in fact or in appearance when the Auditor for instance:

- was involved in the preparation of the Financial Statements;
- stands to benefit directly should the certificate be accepted;
- has a close relationship with any person representing the KIC Partner;
- is a director, trustee or partner of the KIC Partner; or
- is in any other situation that compromises his or her independence or ability to establish the certificate impartially.

Agreed-upon procedures to be performed and standard factual findings to be confirmed by the Auditor

The EIT reserves the right to i) provide the auditor with additional guidance regarding the procedures to be followed or the facts to be ascertained and the way in which to present them (this may include sample coverage and findings) or to ii) change the procedures, by notifying the KIC Partner in writing. The procedures carried out by the auditor to confirm the standard factual finding are listed in the table below.

If this certificate relates to a Linked Third Party, any reference here below to 'the KIC Partner' is to be considered as a reference to 'the Linked Third Party'.

The 'result' column has three different options: 'C', 'E' and 'N.A.':

- 'C' stands for 'confirmed' and means that the auditor can confirm the 'standard factual finding' and, therefore, there is no exception to be reported.
- 'E' stands for 'exception' and means that the Auditor carried out the procedures but cannot confirm the 'standard factual finding', or that the Auditor was not able to carry out a specific procedure (e.g. because it was impossible to reconcile key information or data were unavailable),
- 'N.A.' stands for 'not applicable' and means that the Finding did not have to be examined by the Auditor and the related Procedure(s) did not have to be carried out. The reasons of the non-application of a certain Finding must be obvious i.e. i) if no cost was declared under a certain category then the related Finding(s) and Procedure(s) are not applicable; ii) if the condition set to apply certain Procedure(s) are not met then the related Finding(s) and Procedure(s) are not applicable. For instance, for 'KIC Partners with accounts established in a currency other than the euro' the Procedure related to 'KIC partners with accounts established in euro' is not applicable. Similarly, if no additional remuneration is paid, the related Finding(s) and Procedure(s) for additional remuneration are not applicable.

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
A	ACTUAL PERSONNEL COSTS AND UNIT COSTS CALCULATED BY THE KIC PARTNER IN ACCORDANCE WITH ITS USUAL COST ACCOUNTING PRACTICE		
	<p>The Auditor draws a sample of persons whose costs were declared in the Financial Statement(s) to carry out the procedures indicated in the consecutive points of this section A.</p> <p><i>(The sample should be selected randomly so that it is representative. Full coverage is required if there are fewer than 10 people (including employees, natural persons working under a direct contract and personnel seconded by a third party), otherwise the sample should have a minimum of 10 people, or 10% of the total, whichever number is the highest)</i></p> <p>The Auditor sampled [REDACTED] people out of the total of [REDACTED] people.</p>		

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
A.1	<p>PERSONNEL COSTS</p> <p><u>For the persons included in the sample and working under an employment contract or equivalent act (general procedures for individual actual personnel costs and personnel costs declared as unit costs)</u></p> <p>To confirm standard factual findings 1-5 listed in the next column, the Auditor reviewed following information/documents provided by the KIC Partner:</p> <ul style="list-style-type: none"> o a list of the persons included in the sample indicating the period(s) during which they worked for the action, their position (classification or category) and type of contract; o the payslips of the employees included in the sample; o reconciliation of the personnel costs declared in the Financial Statement(s) with the accounting system (project accounting and general ledger) and payroll system; o information concerning the employment status and employment conditions of personnel included in the sample, in particular their employment contracts or equivalent; o the KIC Partner's usual policy regarding payroll matters (e.g. salary policy, overtime policy, variable pay); o applicable national law on taxes, labour and social security and o any other document that supports the personnel costs declared. <p>The Auditor also verified the eligibility of all components of the retribution (see Article 5 SGA) and recalculated the personnel costs for employees included in the sample.</p>	1) The employees were i) directly hired by the KIC Partner in accordance with its national legislation, ii) under the KIC Partner's sole technical supervision and responsibility and iii) remunerated in accordance with the KIC Partner's usual practices.	
		2) Personnel costs were recorded in the KIC Partner's accounts/payroll system.	
		3) Costs were adequately supported and reconciled with the accounts and payroll records.	
		4) Personnel costs did not contain any ineligible elements.	
		5) There were no discrepancies between the personnel costs charged to the action and the costs recalculated by the Auditor.	
	<p><i>Further procedures if 'additional remuneration' is paid</i></p> <p>To confirm standard factual findings 6-9 listed in the next column, the Auditor:</p>	6) The KIC Partner paying "additional remuneration" was a non-profit legal entity.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<ul style="list-style-type: none"> o reviewed relevant documents provided by the KIC Partner (legal form, legal/statutory obligations, the KIC Partner's usual policy on additional remuneration, criteria used for its calculation, the KIC Partner's usual remuneration practice for projects funded under national funding schemes ...); o recalculated the amount of additional remuneration eligible for the action based on the supporting documents received (full-time or part-time work, exclusive or non-exclusive dedication to the action, usual remuneration paid for projects funded by national schemes) to arrive at the applicable FTE/year and pro-rata rate (see data collected in the course of carrying out the procedures under A.2 'Productive hours' and A.4 'Time recording system'). 	7) The amount of additional remuneration paid corresponded to the KIC Partner's usual remuneration practices and was consistently paid whenever the same kind of work or expertise was required.	
	<p><i>'ADDITIONAL REMUNERATION' MEANS ANY PART OF THE REMUNERATION WHICH EXCEEDS WHAT THE PERSON WOULD BE PAID FOR TIME WORKED IN PROJECTS FUNDED BY NATIONAL SCHEMES.</i></p> <p><i>IF ANY PART OF THE REMUNERATION PAID TO THE EMPLOYEE QUALIFIES AS "ADDITIONAL REMUNERATION" AND IS ELIGIBLE UNDER THE PROVISIONS OF ARTICLE 5.2.A.1, THIS CAN BE CHARGED AS ELIGIBLE COST TO THE ACTION UP TO THE FOLLOWING AMOUNT:</i></p>	8) The criteria used to calculate the additional remuneration were objective and generally applied by the KIC Partner regardless of the source of funding used.	
	<p><i>(A) IF THE PERSON WORKS FULL TIME AND EXCLUSIVELY ON THE ACTION DURING THE FULL YEAR: UP TO EUR 8 000/YEAR;</i></p> <p><i>(B) IF THE PERSON WORKS EXCLUSIVELY ON THE ACTION BUT NOT FULL-TIME OR NOT FOR THE FULL YEAR: UP TO THE CORRESPONDING PRO-RATA AMOUNT OF EUR 8 000, OR</i></p> <p><i>(C) IF THE PERSON DOES NOT WORK EXCLUSIVELY ON THE ACTION: UP TO A PRO-RATA AMOUNT CALCULATED IN ACCORDANCE TO ARTICLE 5.2.A.1.</i></p>	9) The amount of additional remuneration included in the personnel costs charged to the action was capped at EUR 8,000 per FTE/year (up to the equivalent pro-rata amount if the person did not work on the action full-time during the year or did not work exclusively on the action).	
	Additional procedures in case "unit costs calculated by the KIC Partner in accordance with its usual cost accounting practices" is applied:	10) The personnel costs included in the Financial Statement were calculated in accordance with the KIC Partner's usual cost	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>Apart from carrying out the procedures indicated above to confirm standard factual findings 1-5 and, if applicable, also 6-9, the Auditor carried out following procedures to confirm standard factual findings 10-13 listed in the next column:</p>	<p>accounting practice. This methodology was consistently used in all H2020 actions.</p>	
	<ul style="list-style-type: none"> o obtained a description of the KIC Partner's usual cost accounting practice to calculate unit costs; 	<p>11) The employees were charged under the correct category.</p>	
	<ul style="list-style-type: none"> o reviewed whether the KIC Partner's usual cost accounting practice was applied for the Financial Statements subject of the present CFS; o verified the employees included in the sample were charged under the correct category (in accordance with the criteria used by the KIC Partner to establish personnel categories) by reviewing the contract/HR-record or analytical accounting records; 	<p>12) Total personnel costs used in calculating the unit costs were consistent with the expenses recorded in the statutory accounts.</p>	
	<ul style="list-style-type: none"> o verified that there is no difference between the total amount of personnel costs used in calculating the cost per unit and the total amount of personnel costs recorded in the statutory accounts; o verified whether actual personnel costs were adjusted on the basis of budgeted or estimated elements and, if so, verified whether those elements used are actually relevant for the calculation, objective and supported by documents. 	<p>13) Any estimated or budgeted element used by the KIC Partner in its unit-cost calculation were relevant for calculating personnel costs and corresponded to objective and verifiable information.</p>	
	<p><u>For natural persons included in the sample and working with the KIC Partner under a direct contract other than an employment contract, such as consultants (no subcontractors).</u></p> <p>To confirm standard factual findings 14-17 listed in the next column the Auditor reviewed following information/documents provided by the KIC Partner:</p> <ul style="list-style-type: none"> o the contracts, especially the cost, contract duration, work description, place of work, ownership of the results and reporting obligations to the KIC Partner; 	<p>14) The natural persons worked under conditions similar to those of an employee, in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed.</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<ul style="list-style-type: none"> the employment conditions of staff in the same category to compare costs and; any other document that supports the costs declared and its registration (e.g. invoices, accounting records, etc.). 		
		15) The results of work carried out belong to the KIC Partner, or if not, the KIC Partner has obtained all necessary rights to fulfil its obligations as if those results were generated by itself.	
		16) Their costs were not significantly different from those for staff who performed similar tasks under an employment contract with the KIC Partner.	
		17) The costs were supported by audit evidence and registered in the accounts.	
	<u>For personnel seconded by a third party and included in the sample (not subcontractors)</u> To confirm standard factual findings 18-21 listed in the next column, the Auditor reviewed following information/documents provided by the KIC Partner: <ul style="list-style-type: none"> their secondment contract(s) notably regarding costs, duration, work description, place of work and ownership of the results; if there is reimbursement by the KIC Partner to the third party for the resource made available_(in-kind contribution against payment): any documentation that supports the 	18) Seconded personnel reported to the KIC Partner and worked on the KIC Partner's premises (unless otherwise agreed with the KIC Partner).	
		19) The results of work carried out belong to the KIC Partner, or if not, the KIC Partner has	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>costs declared (e.g. contract, invoice, bank payment, and proof of registration in its accounting/payroll, etc.) and reconciliation of the Financial Statement(s) with the accounting system (project accounting and general ledger) as well as any proof that the amount invoiced by the third party did not include any profit.</p> <ul style="list-style-type: none"> ○ if there is no reimbursement by the KIC Partner to the third party for the resource made available (in-kind contribution free of charge): a proof of the actual cost borne by the Third Party for the resource made available free of charge to the KIC Partner such as a statement of costs incurred by the Third Party and proof of the registration in the Third Party's accounting/payroll,; ○ any other document that supports the costs declared (e.g. invoices, etc.). 	obtained all necessary rights to fulfil its obligations as if those results were generated by itself.	
		<p><i>If personnel is seconded against payment:</i></p> <p>20) The costs declared were supported with documentation and recorded in the KIC Partner's accounts. The third party did not include any profit.</p>	
		<p><i>If personnel is seconded free of charge:</i></p> <p>21) The costs declared did not exceed the third party's cost as recorded in the accounts of the third party and were supported with documentation.</p>	
A.2	<p>PRODUCTIVE HOURS</p> <p>To confirm standard factual findings 22-27 listed in the next column, the Auditor reviewed relevant documents, especially national legislation, labour agreements and contracts and time records of the persons included in the sample, to verify that:</p>	<p>22) The KIC Partner applied method [<i>choose one option and delete the others</i>]</p> <p>[A: 1720 hours]</p> <p>[B: the 'total number of hours worked']</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<ul style="list-style-type: none"> the annual productive hours applied were calculated in accordance with one of the methods described below, the full-time equivalent (FTEs) ratios for employees not working full-time were correctly calculated. <p>If the KIC Partner applied method B, the auditor verified that the correctness in which the total number of hours worked was calculated and that the contracts specified the annual workable hours.</p> <p>If the KIC Partner applied method C, the auditor verified that the 'annual productive hours' applied when calculating the hourly rate were equivalent to at least 90 % of the 'standard annual workable hours'. The Auditor can only do this if the calculation of the standard annual workable hours can be supported by records, such as national legislation, labour agreements, and contracts.</p> <p><i>KIC PARTNER'S PRODUCTIVE HOURS' FOR PERSONS WORKING FULL TIME SHALL BE ONE OF THE FOLLOWING METHODS:</i></p> <p><i>A. 1720 ANNUAL PRODUCTIVE HOURS (PRO-RATA FOR PERSONS NOT WORKING FULL-TIME)</i></p> <p><i>B. THE TOTAL NUMBER OF HOURS WORKED BY THE PERSON FOR THE KIC PARTNER IN THE YEAR (THIS METHOD IS ALSO REFERRED TO AS 'TOTAL NUMBER OF HOURS WORKED' IN THE NEXT COLUMN). THE CALCULATION OF THE TOTAL NUMBER OF HOURS WORKED WAS DONE AS FOLLOWS: ANNUAL WORKABLE HOURS OF THE PERSON ACCORDING TO THE EMPLOYMENT CONTRACT, APPLICABLE LABOUR AGREEMENT OR NATIONAL LAW PLUS OVERTIME WORKED MINUS ABSENCES (SUCH AS SICK LEAVE OR SPECIAL LEAVE).</i></p> <p><i>C. THE STANDARD NUMBER OF ANNUAL HOURS GENERALLY APPLIED BY THE KIC PARTNER FOR ITS PERSONNEL IN ACCORDANCE WITH ITS USUAL COST ACCOUNTING PRACTICES (THIS METHOD IS ALSO REFERRED TO AS</i></p>	[C: 'standard annual productive hours' used correspond to usual accounting practices]	
		23) Productive hours were calculated annually.	
		24) For employees not working full-time the full-time equivalent (FTE) ratio was correctly applied.	
		<p><i>If the KIC Partner applied method B.</i></p> <p>25) The calculation of the number of 'annual workable hours', overtime and absences was verifiable based on the documents provided by the KIC Partner.</p> <p>25.1) The KIC Partner calculates the hourly rates per full financial year following procedure A.3 (method B is not allowed for partners calculating hourly rates per month).</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p><i>'STANDARD ANNUAL PRODUCTIVE HOURS' IN THE NEXT COLUMN). THIS NUMBER MUST BE AT LEAST 90% OF THE STANDARD ANNUAL WORKABLE HOURS.</i></p> <p><i>'ANNUAL WORKABLE HOURS' MEANS THE PERIOD DURING WHICH THE PERSONNEL MUST BE WORKING, AT THE EMPLOYER'S DISPOSAL AND CARRYING OUT HIS/HER ACTIVITY OR DUTIES UNDER THE EMPLOYMENT CONTRACT, APPLICABLE COLLECTIVE LABOUR AGREEMENT OR NATIONAL WORKING TIME LEGISLATION.</i></p>	<p><i>If the KIC Partner applied method C.</i></p> <p>26) The calculation of the number of 'standard annual workable hours' was verifiable based on the documents provided by the KIC Partner.</p> <p>27) The 'annual productive hours' used for calculating the hourly rate were consistent with the usual cost accounting practices of the KIC Partner and were equivalent to at least 90 % of the 'annual workable hours'.</p>	
A.3	<p>HOURLY PERSONNEL RATES</p> <p><u>l) For unit costs calculated in accordance to the KIC Partner's usual cost accounting practice (unit costs):</u></p> <p>If the KIC Partner has a "Certificate on Methodology to calculate unit costs " (CoMUC) approved by the Commission, the KIC Partner provides the Auditor with a description of the approved methodology and the Commission's letter of acceptance. The Auditor verified that the KIC Partner has indeed used the methodology approved. If so, no further verification is necessary.</p> <p>If the KIC Partner does not have a "Certificate on Methodology" (CoMUC) approved by the Commission, or if the methodology approved was not applied, then the Auditor:</p>	<p>28) The KIC Partner applied [<i>choose one option and delete the other</i>):</p> <p>[Option I: "Unit costs (hourly rates) were calculated in accordance with the KIC Partner's usual cost accounting practices"]</p> <p>[Option II: Individual hourly rates were applied]</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<ul style="list-style-type: none"> ○ reviewed the documentation provided by the KIC Partner, including manuals and internal guidelines that explain how to calculate hourly rates; ○ recalculated the unit costs (hourly rates) of staff included in the sample following the results of the procedures carried out in A.1 and A.2. <p><u>II) For individual hourly rates:</u></p> <p>The Auditor:</p> <ul style="list-style-type: none"> ○ reviewed the documentation provided by the KIC Partner, including manuals and internal guidelines that explain how to calculate hourly rates; ○ recalculated the hourly rates of staff included in the sample (recalculation of all hourly rates if the KIC Partner uses annual rates, recalculation of three months selected randomly for every year and person if the Beneficiary uses monthly rates) following the results of the procedures carried out in A.1 and A.2. ○ (only in case of monthly rates) confirmed that the time spent on parental leave is not deducted, and that, if parts of the basic remuneration are generated over a period longer than a month, the KIC Partner has included only the share which is generated in the month. <p><u>“UNIT COSTS CALCULATED BY THE KIC PARTNER IN ACCORDANCE WITH ITS USUAL COST ACCOUNTING PRACTICES”:</u> IT IS CALCULATED BY DIVIDING THE TOTAL AMOUNT OF PERSONNEL COSTS OF THE CATEGORY TO WHICH THE EMPLOYEE BELONGS VERIFIED IN LINE WITH PROCEDURE A.1 BY THE NUMBER OF FTE AND THE ANNUAL TOTAL PRODUCTIVE HOURS OF THE SAME CATEGORY CALCULATED BY THE KIC PARTNER IN ACCORDANCE WITH PROCEDURE A.2.</p>	<p><i>For option 1 concerning unit costs and if the KIC Partner applies the methodology approved by the Commission (CoMUC):</i></p> <p>29) The KIC Partner used the Commission-approved methodology to calculate hourly rates. It corresponded to the organisation's usual cost accounting practices and was applied consistently for all activities irrespective of the source of funding.</p>	
		<p><i>For option 1 concerning unit costs and if the KIC Partner applies a methodology not approved by the Commission:</i></p> <p>30) The unit costs re-calculated by the Auditor were the same as the rates applied by the KIC Partner.</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p><u>HOURLY RATE FOR INDIVIDUAL ACTUAL PERSONAL COSTS:</u> IT IS CALCULATED FOLLOWING ONE OF THE TWO OPTIONS BELOW: A) [OPTION BY DEFAULT] BY DIVIDING THE ACTUAL ANNUAL AMOUNT OF PERSONNEL COSTS OF AN EMPLOYEE VERIFIED IN LINE WITH PROCEDURE A.1 BY THE NUMBER OF ANNUAL PRODUCTIVE HOURS VERIFIED IN LINE WITH PROCEDURE A.2. (FULL FINANCIAL YEAR HOURLY RATE); B) BY DIVIDING THE ACTUAL MONTHLY AMOUNT OF PERSONNEL COSTS OF AN EMPLOYEE VERIFIED IN LINE WITH PROCEDURE A.1 BY 1/12 OF THE NUMBER OF ANNUAL PRODUCTIVE HOURS VERIFIED IN LINE WITH PROCEDURE A.2. (MONTHLY HOURLY RATE).</p>	<p>For option II concerning individual hourly rates:</p> <p>31) The individual rates re-calculated by the Auditor were the same as the rates applied by the KIC Partner.</p> <p>31.1) The KIC Partner used only one option (per full financial year or per month) throughout each financial year examined.</p> <p>31.2) The hourly rates do not include additional remuneration.</p>	
A.4	<p>TIME RECORDING SYSTEM</p> <p>To verify that the time recording system ensures the fulfilment of all minimum requirements and that the hours declared for the action were correct, accurate and properly authorised and supported by documentation, the Auditor made the following checks for the persons included in the sample that declare time as worked for the action on the basis of time records:</p> <ul style="list-style-type: none"> o description of the time recording system provided by the KIC Partner (registration, authorisation, processing in the HR-system); o its actual implementation; o time records were signed at least monthly by the employees (on paper or electronically) and authorised by the project manager or another manager; o the hours declared were worked within the project period; 	<p>32) All persons recorded their time dedicated to the action on a daily/ weekly/ monthly basis using a paper/computer-based system. <i>(delete the answers that are not applicable)</i></p>	
		<p>33) Their time-records were authorised at least monthly by the project manager or other superior.</p>	
		<p>34) Hours declared were worked within the project period and</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<ul style="list-style-type: none"> there were no hours declared as worked for the action if HR-records showed absence due to holidays or sickness (further cross-checks with travels are carried out in B.1 below) ; the hours charged to the action matched those in the time recording system. <p><i>ONLY THE HOURS WORKED ON THE ACTION CAN BE CHARGED. ALL WORKING TIME TO BE CHARGED SHOULD BE RECORDED THROUGHOUT THE DURATION OF THE PROJECT, ADEQUATELY SUPPORTED BY EVIDENCE OF THEIR REALITY AND RELIABILITY (SEE SPECIFIC PROVISIONS BELOW FOR PERSONS WORKING EXCLUSIVELY FOR THE ACTION WITHOUT TIME RECORDS).</i></p>	were consistent with the presences/absences recorded in HR-records.	
		35) There were no discrepancies between the number of hours charged to the action and the number of hours recorded.	
	<p><u>If the persons are working exclusively for the action and without time records</u></p> <p>For the persons selected that worked exclusively for the action without time records, the Auditor verified evidence available demonstrating that they were in reality exclusively dedicated to the action and that the KIC Partner signed a declaration confirming that they have worked exclusively for the action.</p>	36) The exclusive dedication is supported by a declaration signed by the KIC Partner's and by any other evidence gathered.	
B	COSTS OF SUBCONTRACTING		
B.1	<p>The Auditor obtained the detail/breakdown of subcontracting costs and sampled [REDACTED] cost items selected randomly (<i>full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest</i>).</p> <p>To confirm standard factual findings 37-41 listed in the next column, the Auditor reviewed the following for the items included in the sample:</p> <ul style="list-style-type: none"> the use of subcontractors was foreseen in Annex 1; subcontracting costs were declared in the subcontracting category of the Financial Statement; supporting documents on the selection and award procedure were followed; 	37) The use of claimed subcontracting costs was foreseen in Annex 1 and costs were declared in the Financial Statements under the subcontracting category.	
		38) There were documents of requests to different providers, different offers and assessment of the offers before selection of the provider in line with internal procedures and procurement	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>o the KIC Partner ensured best value for money (key elements to appreciate the respect of this principle are the award of the subcontract to the bid offering best price-quality ratio, under conditions of transparency and equal treatment. In case an existing framework contract was used the KIC Partner ensured it was established on the basis of the principle of best value for money under conditions of transparency and equal treatment).</p> <p>In particular,</p> <p>i. if the KIC Partner acted as a contracting authority within the meaning of Directive 2004/18/EC (or 2014/24/EU) or of Directive 2004/17/EC (or 2014/25/EU), the Auditor verified that the applicable national law on public procurement was followed and that the subcontracting complied with the Terms and Conditions of the Agreement.</p> <p>ii. if the KIC Partner did not fall under the above-mentioned category the Auditor verified that the KIC Partner followed their usual procurement rules and respected the Terms and Conditions of the Agreement..</p> <p>For the items included in the sample the Auditor also verified that:</p> <p>o the subcontracts were not awarded to other KIC Partners in the consortium;</p> <p>o there were signed agreements between the KIC Partner and the subcontractor;</p> <p>o there was evidence that the services were provided by subcontractor;</p>	<p>rules. Subcontracts were awarded in accordance with the principle of best value for money.</p> <p><i>(When different offers were not collected the Auditor explains the reasons provided by the KIC Partner under the caption "Exceptions" of the Report. The Commission will analyse this information to evaluate whether these costs might be accepted as eligible)</i></p>	
		39) The subcontracts were not awarded to other KIC Partners of the consortium.	
		40) All subcontracts were supported by signed agreements between the KIC Partner and the subcontractor.	
		41) There was evidence that the services were provided by the subcontractors.	
C	COSTS OF PROVIDING FINANCIAL SUPPORT TO THIRD PARTIES		

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
C.1	<p>The Auditor obtained the detail/breakdown of the costs of providing financial support to third parties and sampled [REDACTED] cost items selected randomly (<i>full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest</i>).</p> <p>The Auditor verified that the following minimum conditions were met:</p> <ul style="list-style-type: none"> a) the maximum amount of financial support for each third party did not exceed EUR 60 000, unless explicitly mentioned in Annex 1; b) the financial support to third parties was agreed in Annex 1 of the Agreement and the other provisions on financial support to third parties included in Annex 1 were respected. 	42) All minimum conditions were met	
D	OTHER ACTUAL DIRECT COSTS		
D.1	<p>COSTS OF TRAVEL AND RELATED SUBSISTENCE ALLOWANCES</p> <p>The Auditor sampled [REDACTED] cost items selected randomly (<i>full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is the highest</i>).</p> <p>The Auditor inspected the sample and verified that:</p> <ul style="list-style-type: none"> o travel and subsistence costs were consistent with the KIC Partner 's usual policy for travel. In this context, the KIC Partner provided evidence of its normal policy for travel costs (e.g. use of first class tickets, reimbursement by the KIC Partner on the basis of actual costs, a lump sum or per diem) to enable the Auditor to compare the travel costs charged with this policy; o travel costs are correctly identified and allocated to the action (e.g. trips are directly linked to the action) by reviewing relevant supporting documents such as minutes of meetings, 	<p>43) Costs were incurred, approved and reimbursed in line with the KIC Partner's usual policy for travels.</p> <p>44) There was a link between the trip and the action.</p> <p>45) The supporting documents were consistent with each other regarding subject of the trip, dates, duration and reconciled with time records and accounting.</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	workshops or conferences, their registration in the correct project account, their consistency with time records or with the dates/duration of the workshop/conference; <ul style="list-style-type: none"> no ineligible costs or excessive or reckless expenditure was declared (see Article 5.5 SGA). 	46) No ineligible costs or excessive or reckless expenditure was declared.	
D.2	COSTS FOR EQUIPMENT, INFRASTRUCTURE OR OTHER ASSETS The Auditor sampled [REDACTED] cost items selected randomly (<i>full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is the highest</i>). For “equipment, infrastructure or other assets” [from now on called “asset(s)”] selected in the sample the Auditor verified that: <ul style="list-style-type: none"> the assets were acquired in conformity with the KIC Partner's internal guidelines and procedures; they were correctly allocated to the action (with supporting documents such as delivery note invoice or any other proof demonstrating the link to the action) they were entered in the accounting system; the extent to which the assets were used for the action (as a percentage) was supported by reliable documentation (e.g. usage overview table); The Auditor recalculated the depreciation costs and verified that they were in line with the applicable rules in the KIC Partner’s country and with the KIC Partner’s usual accounting policy (e.g. depreciation calculated on the acquisition value). The Auditor verified that no ineligible costs such as deductible VAT, exchange rate losses, excessive or reckless expenditure were declared (see Article 5 SGA). In case the option concerning the declaration of the cost of purchasing equipment, infrastructure or other assets was used, the Auditor verified that the limitations set out in Article 5.2. Section D.2 SGA were complied with.	47) Procurement rules, principles and guides were followed.	
		48) There was a link between the grant agreement and the asset charged to the action.	
		49) The asset charged to the action was traceable to the accounting records and the underlying documents.	
		50) The depreciation method used to charge the asset to the action was in line with the applicable rules of the KIC Partner's country and the KIC Partner's usual accounting policy.	
		51) The amount charged corresponded to the actual usage for the action.	
		52) No ineligible costs or excessive or reckless expenditure were declared.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
D.3	<p>COSTS OF OTHER GOODS AND SERVICES</p> <p>The Auditor sampled [REDACTED] cost items selected randomly (<i>full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest</i>).</p> <p>For the purchase of goods, works or services included in the sample the Auditor verified that:</p> <ul style="list-style-type: none"> the contracts did not cover tasks described in Annex 1; they were correctly identified, allocated to the proper action, entered in the accounting system (traceable to underlying documents such as purchase orders, invoices and accounting); the goods were not placed in the inventory of durable equipment; the costs charged to the action were accounted in line with the KIC Partner's usual accounting practices; no ineligible costs or excessive or reckless expenditure were declared (see Article 5 SGA). <p>In addition, the Auditor verified that these goods and services were acquired in conformity with the KIC Partner 's internal guidelines and procedures, in particular:</p> <ul style="list-style-type: none"> if KIC Partner acted as a contracting authority within the meaning of Directive 2004/18/EC (or 2014/24/EU) or of Directive 2004/17/EC (or 2014/25/EU), the Auditor verified that the applicable national law on public procurement was followed and that the procurement contract complied with the Terms and Conditions of the Agreement. if the KIC Partner did not fall into the category above, the Auditor verified that the KIC Partner followed their usual procurement rules and respected the Terms and Conditions of the Agreement. 	<p>53) Contracts for works or services did not cover tasks described in Annex 1.</p> <p>54) Costs were allocated to the correct action and the goods were not placed in the inventory of durable equipment.</p> <p>55) The costs were charged in line with the KIC Partner's accounting policy and were adequately supported.</p> <p>56) No ineligible costs or excessive or reckless expenditure were declared. For internal invoices/charges only the cost element was charged, without any mark-ups.</p> <p>57) Procurement rules, principles and guides were followed. There were documents of requests to different providers, different offers and assessment of the offers before selection of</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>For the items included in the sample the Auditor also verified that:</p> <ul style="list-style-type: none"> the KIC Partner ensured best value for money (key elements to appreciate the respect of this principle are the award of the contract to the bid offering best price-quality ratio, under conditions of transparency and equal treatment. In case an existing framework contract was used the Auditor also verified that the KIC Partner ensured it was established on the basis of the principle of best value for money under conditions of transparency and equal treatment); <p><i>SUCH GOODS AND SERVICES INCLUDE, FOR INSTANCE, CONSUMABLES AND SUPPLIES, DISSEMINATION (INCLUDING OPEN ACCESS), PROTECTION OF RESULTS, SPECIFIC EVALUATION OF THE ACTION IF IT IS REQUIRED BY THE AGREEMENT, CERTIFICATES ON THE FINANCIAL STATEMENTS IF THEY ARE REQUIRED BY THE AGREEMENT AND CERTIFICATES ON THE METHODOLOGY, TRANSLATIONS, REPRODUCTION.</i></p>	<p>the provider in line with internal procedures and procurement rules. The purchases were made in accordance with the principle of best value for money.</p> <p><i>(When different offers were not collected the Auditor explains the reasons provided by the KIC Partner under the caption "Exceptions" of the Report. The Commission will analyse this information to evaluate whether these costs might be accepted as eligible)</i></p>	
D.4	<p>AGGREGATED CAPITALISED AND OPERATING COSTS OF RESEARCH INFRASTRUCTURE</p> <p>The Auditor ensured the existence of a positive ex-ante assessment (issued by the EC Services) of the cost accounting methodology of the KIC Partner allowing it to apply the guidelines on direct costing for large research infrastructures in Horizon 2020.</p> <p><i>In the cases that a positive ex-ante assessment has been issued (see the standard factual findings 58-59 on the next column),</i></p>	<p>58) The costs declared as direct costs for Large Research Infrastructures (in the appropriate line of the Financial Statement) comply with the methodology described in the positive ex-ante assessment report.</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>The Auditor ensured that the KIC Partner has applied consistently the methodology that is explained and approved in the positive ex ante assessment;</p> <p><i>In the cases that a positive ex-ante assessment has NOT been issued (see the standard factual findings 60 on the next column),</i></p> <p>The Auditor verified that no costs of Large Research Infrastructure have been charged as direct costs in any costs category;</p> <p><i>In the cases that a draft ex-ante assessment report has been issued with recommendation for further changes (see the standard factual findings 60 on the next column),</i></p> <ul style="list-style-type: none"> The Auditor followed the same procedure as above (when a positive ex-ante assessment has NOT yet been issued) and paid particular attention (testing reinforced) to the cost items for which the draft ex-ante assessment either rejected the inclusion as direct costs for Large Research Infrastructures or issued recommendations. 	59) Any difference between the methodology applied and the one positively assessed was extensively described and adjusted accordingly.	
		60) The direct costs declared were free from any indirect costs items related to the Large Research Infrastructure.	
D.5	<p>Costs of internally invoiced goods and services</p> <p>The Auditor sampled cost items selected randomly (<i>full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest</i>).</p> <p>To confirm standard factual findings 61-65 listed in the next column, the Auditor:</p> <ul style="list-style-type: none"> obtained a description of the KIC Partner's usual cost accounting practice to calculate costs of internally invoiced goods and services (unit costs); 	61) The costs of internally invoiced goods and services included in the Financial Statement were calculated in accordance with the KIC Partner's usual cost accounting practice.	
		62) The cost accounting practices used to calculate the costs of internally invoiced goods and services were applied by the KIC Partner in a consistent manner based on objective	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<ul style="list-style-type: none"> o reviewed whether the KIC Partner's usual cost accounting practice was applied for the Financial Statements subject of the present CFS; o ensured that the methodology to calculate unit costs is being used in a consistent manner, based on objective criteria, regardless of the source of funding; o verified that any ineligible items or any costs claimed under other budget categories, in particular indirect costs, have not been taken into account when calculating the costs of internally invoiced goods and services (see Article 5 SGA); o verified whether actual costs of internally invoiced goods and services were adjusted on the basis of budgeted or estimated elements and, if so, verified whether those elements used are actually relevant for the calculation, objective and verifiable information. o verified that any costs of items which are not directly linked to the production of the invoiced goods or service (e.g. supporting services like cleaning, general accountancy, administrative support, etc. not directly used for production of the good or service) have not been taken into account when calculating the costs of internally invoiced goods and services. o verified that any costs of items used for calculating the costs of internally invoiced goods and services are supported by audit evidence and registered in the accounts. 	criteria regardless of the source of funding.	
		63) The unit cost is calculated using the actual costs for the good or service recorded in the KIC Partner's accounts, excluding any ineligible cost or costs included in other budget categories.	
		64) The unit cost excludes any costs of items which are not directly linked to the production of the invoiced goods or service.	
		65) The costs items used for calculating the actual costs of internally invoiced goods and services were relevant, reasonable and correspond to objective and verifiable information.	
E	USE OF EXCHANGE RATES		
E.1	a) For KIC Partners with accounts established in a currency other than euros	66) The exchange rates used to convert other currencies into	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>The Auditor sampled [REDACTED] cost items selected randomly and verified that the exchange rates used for converting other currencies into euros were in accordance with the following rules established in the Agreement (full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest):</p> <p><i>COSTS RECORDED IN THE ACCOUNTS IN A CURRENCY OTHER THAN EURO SHALL BE CONVERTED INTO EURO AT THE AVERAGE OF THE DAILY EXCHANGE RATES PUBLISHED IN THE C SERIES OF OFFICIAL JOURNAL OF THE EUROPEAN UNION (https://www.ecb.int/stats/exchange/eurofxref/html/index.en.html), DETERMINED OVER THE CORRESPONDING REPORTING PERIOD.</i></p> <p><i>IF NO DAILY EURO EXCHANGE RATE IS PUBLISHED IN THE OFFICIAL JOURNAL OF THE EUROPEAN UNION FOR THE CURRENCY IN QUESTION, CONVERSION SHALL BE MADE AT THE AVERAGE OF THE MONTHLY ACCOUNTING RATES ESTABLISHED BY THE COMMISSION AND PUBLISHED ON ITS WEBSITE (http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm), DETERMINED OVER THE CORRESPONDING REPORTING PERIOD.</i></p>	Euros were in accordance with the rules established of the Specific Agreement and there was no difference in the final figures.	
	<p><u>b) For KIC Partners with accounts established in euros</u></p> <p>The Auditor sampled [REDACTED] cost items selected randomly and verified that the exchange rates used for converting other currencies into euros were in accordance with the following rules established in the Agreement (full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest):</p> <p><i>COSTS INCURRED IN ANOTHER CURRENCY SHALL BE CONVERTED INTO EURO BY APPLYING THE KIC PARTNER'S USUAL ACCOUNTING PRACTICES.</i></p>	67) The KIC Partner applied its usual accounting practices.	

[legal name of the audit firm]

[name and function of an authorised representative]

<dd Month yyyy>

<Signature of the Auditor>

ADDITIONAL INFORMATION ON THE ESTIMATED BUDGET

➤ Options are [in square brackets]

Unit cost for SME owners/natural KIC Partners without salary

1. Costs for a [SME owner]/[KIC Partner that is a natural person] not receiving a salary

Units: hours worked on the action

Cost Amount per unit ('hourly rate'): calculated according to the following formula:

{ { EUR 4,650 / 143 hours}
multiplied by
{country-specific correction coefficient of the country where the partner is established}

Country-specific correction coefficient (in force at the time of the call):

EU Member States

country	coefficient	country	coefficient	country	coefficient	country	coefficient	country	coefficient
AT	104.8%	DK	135.3%	HR	97.5%	LV	75.9%	SE	111.7%
BE	100.0%	EE	78.3%	HU	76.2%	MT	89.6%	SI	86.1%
BG	71.5%	EL	92.7%	IE	113.5%	NL	104.3%	SK	82.6%
CY	91.8%	ES	97.6%	IT	106.7%	PL	76.4%	UK	120.3%
CZ	83.8%	FI	116.6%	LT	73.1%	PT	89.1%		
DE	98.8%	FR	111.0%	LU	100.0%	RO	68.3%		

H2020 associated countries

country	coefficient	country	coefficient	country	coefficient	country	coefficient	country	coefficient
AL	76.1%	FO	134.1%	LI	110.0%	MK	68.4%	TR	86.6%
BA	73.6%	IL	108.7%	MD	61.1%	NO	131.9%		
CH	113.1%	IS	116.6%	ME	66.9%	RS	67.1%		

Other countries

country	coefficient	country	coefficient	country	coefficient	country	coefficient	country	coefficient
AM	89.9%	CU	83.8%	JP	115.9%	NI	57.3%	TJ	64.9%
AO	114.6%	CV	76.4%	KE	78.1%	NP	73.5%	TL	78.3%
AR	58.5%	DJ	93.4%	KG	83.1%	NZ	94.1%	TN	70.5%
AU	105.0%	DO	66.9%	KH	70.5%	PA	57.0%	TO	85.0%
AZ	93.0%	DZ	81.7%	KR	105.2%	PE	75.5%	TT	74.1%
BB	116.6%	EC	68.8%	KZ	100.2%	PG	83.0%	TW	83.6%
BD	47.2%	EG	48.6%	LA	77.7%	PH	65.8%	TZ	65.2%
BF	93.8%	ER	61.2%	LB	86.4%	PK	49.4%	UA	92.3%
BJ	92.6%	ET	85.2%	LK	61.6%	PS	100.4%	UG	65.7%
BM	151.5%	FJ	68.1%	LR	100.1%	PY	71.9%	US	99.4%
BO	51.3%	GA	113.1%	LS	56.7%	RU	115.5%	UY	75.3%
BR	92.0%	GE	89.5%	LY	60.0%	RW	87.3%	UZ	51.4%
BW	55.3%	GH	68.2%	MA	83.5%	SA	84.8%	VE	70.0%
BY	65.0%	GM	67.7%	MG	80.0%	SB	93.3%	VN	51.1%
BZ	75.3%	GN	60.4%	ML	90.4%	SD	65.1%	VU	112.6%
CA	86.4%	GT	78.8%	MR	64.5%	SG	102.5%	WS	75.8%
CD	127.6%	GW	102.7%	MU	72.7%	SL	85.2%	XK	58.6%

CF	114.3%	GY	58.9%	MW	76.0%	SN	86.2%	YE	68.1%
CG	124.9%	HK	93.8%	MX	70.4%	SR	50.6%	ZA	55.8%
CI	102.0%	HN	69.0%	MY	71.6%	SV	74.3%	ZM	66.4%
CL	67.1%	HT	108.7%	MZ	71.6%	SY	74.8%	ZW	47.2%
CM	103.3%	ID	75.3%	NA	68.3%	SZ	56.8%		
CN	85.0%	IN	52.8%	NC	128.9%	TD	125.3%		
CO	76.6%	JM	94.9%	NE	87.9%	TG	88.7%		
CR	76.7%	JO	75.5%	NG	92.4%	TH	65.0%		

[additional OPTION for KIC Partners/linked third parties that have opted to use the unit cost (in the proposal/with an amendment): For the following KIC Partners/linked third parties, the amounts per unit (hourly rate) are fixed as follows:

- KIC Partner/linked third party [short name]: EUR [insert amount]
 - KIC Partner/linked third party [short name]: EUR [insert amount]
- [same for other KIC Partners/linked third parties, if necessary] /

Estimated number of units: see Annex 1

Model Start-up Grant Agreement

Version 2.0
12 January 2018

European Institute of Innovation and Technology (EIT)

eit.europa.eu



The EIT is a body of the European Union



HISTORY OF CHANGES		
Version	Publication date	Changes
<u>1.0</u>	13.01.2016	<ul style="list-style-type: none"> • Version for EIT 2016 KICS call
2.0	12.01.2018	<ul style="list-style-type: none"> • Version for EIT 2018 KICS call: small changes of editorial nature

EIT START-UP GRANT AGREEMENT

NUMBER SUGA [YEAR] [KIC NAME]

This **Agreement** ('the Agreement') is **between** the following parties:

on the one part,

the **European Institute of Innovation and Technology**, a European Union body having legal personality and established by Regulation (EC) No. 294/2008¹ of the European Parliament and of Council as amended by Regulation (EU) No 1292/2013² of the European Parliament and of the Council, represented for the purposes of signature of this Start-Up Grant Agreement by its **Director, [name]**, hereinafter referred to as the "EIT",

and

on the other part,

1. 'the coordinator':

[full official name (short name)], established in **[official address in full]**, VAT number **[insert number]**, represented for the purposes of signing the Agreement by **[function, forename and surname]**

and the following other beneficiaries,

a) *who have already signed their 'Accession form' at the time of the signature of the Agreement (see Annex 3 and Article 56):*

2. **[full official name (short name)]**, established in **[official address in full]**, VAT number **[insert number]**;

3. **[full official name (short name)]**, established in **[official address in full]**, VAT number **[insert number]**;

4. **[full official name (short name)]**, established in **[official address in full]**, VAT number **[insert number]**;

(....)

b) *If they sign their 'Accession Form' (see Annex 3 and Article 56):*

5. **[full official name (short name)]**, **[country]**

6. **[full official name (short name)]**, **[country]**

¹ OJ L97 of 09.04.2008

² OJ L347 of 20.12.2013

7. [full official name (short name)], [country]

as designated by the EIT Governing Board on [date].

Unless otherwise specified, references to 'beneficiary' or 'beneficiaries' include the coordinator.

The parties referred to above have agreed to enter into the Agreement under the terms and conditions below.

By signing the Agreement or the Accession Form, the beneficiaries accept the grant and agree to implement it under their own responsibility and in accordance with the Agreement, with all the obligations and conditions it sets out.

The Agreement is composed of:

Terms and Conditions

Annex 1	Description of the action (Start-up Plan)
Annex 2	Estimated budget for the action
Annex 3	Accession Forms
Annex 3a	Declaration on joint and several liability of linked third parties
Annex 4	Model for the financial statements
Annex 5	Model for the certificate on the financial statements
Annex 6	Unit costs for SME owners/natural beneficiaries without salary
Annex 7	List of linked third parties

TERMS AND CONDITIONS

CHAPTER 1 GENERAL

ARTICLE 1 — SUBJECT OF THE AGREEMENT

This Agreement sets out the rights and obligations and the terms and conditions applicable to the grant awarded to the beneficiaries for implementing the action set out in Chapter 2.

CHAPTER 2 ACTION

ARTICLE 2 — ACTION TO BE IMPLEMENTED

The grant is awarded for the action entitled **start-up activities in order to set up the EIT [NAME] Knowledge and Innovation Community — EIT [NAME] KIC ('action')**, as described in Annex 1.

ARTICLE 3 — DURATION AND STARTING DATE OF THE ACTION

The duration of the action will be as of [date] 2017 ('starting date of the action') until 31 December 2017.

ARTICLE 4 — ESTIMATED BUDGET AND BUDGET TRANSFERS

4.1 Estimated budget

The '**estimated budget**' for the action is set out in Annex 2.

It contains the estimated eligible costs and the forms of costs, broken down by beneficiary (and linked third party) and budget category (see Articles 5, 6 and 14) and by areas and segments. ***[OPTION to be used if Article 9 or 14a applies: It also shows the estimated costs of the beneficiaries not receiving EU funding (see Article 9) and international partners (see Article 14a).***

4.2 Budget transfers

The estimated budget breakdown indicated in Annex 2 may be adjusted – without an amendment (see Article 55) – by transfers of amounts between beneficiaries, budget categories and/or forms of costs set out in Annex 2, if the action is implemented as described in Annex 1.

However, the beneficiaries may not add costs relating to subcontracts not provided for in Annex 1, unless such additional subcontracts are approved by an amendment or in accordance with Article 13.

CHAPTER 3 GRANT

ARTICLE 5 — GRANT AMOUNT, FORM OF GRANT, REIMBURSEMENT RATES AND FORMS OF COSTS

5.1 Maximum grant amount

The 'maximum grant amount' is EUR [insert amount] (insert amount in words)].

5.2 Form of grant, reimbursement rates and forms of costs

The grant reimburses up to **100 %** of the action's eligible costs (see Article 6) ('reimbursement of eligible costs grant') (see Annex 2).

The estimated eligible costs of the action are EUR [insert amount] (insert amount in words)].

Eligible costs (see Article 6) must be declared under the following forms ('forms of costs'):

(a) for **direct personnel costs**:

- as actually incurred costs ('**actual costs**') or
- on the basis of an amount per unit calculated by the beneficiary in accordance with its usual cost accounting practices ('**unit costs**').

Personnel **costs for SME owners** or **beneficiaries that are natural persons** not receiving a salary (see Article 6.2, Points A.4 and A.5) must be declared on the basis of the amount per unit set out in Annex 6 (**unit costs**);

(b) for **direct costs of subcontracting**: as actually incurred costs (**actual costs**);

(c) Not applicable

(d) for **other direct costs**:

- for costs of internally invoiced goods and services: on the basis of an amount per unit calculated by the beneficiary in accordance with its usual cost accounting practices ('**unit costs**');
- for all other costs: as actually incurred costs (**actual costs**);

(e) for **indirect costs**: on the basis of a flat-rate applied as set out in Article 6.2, Point E ('**flat-rate costs**');

- (f) *[OPTION for specific unit costs (if unit cost foreseen by Commission decision and applicable to the grant): for [insert name of specific cost category(ies)]³: on the basis of the amount(s) per unit set out in Commission Decision No [insert references to the relevant Commission decision] (unit costs).]*

[OPTION for specific lump sum costs (if lump sum foreseen by Commission decision and applicable to the grant): for [insert name of specific cost category(ies)]: as the lump sum set out in Annex 2 ('lump sum costs').]

[OPTION: specific cost category(ies): not applicable.]

5.3 Final grant amount — Calculation

The 'final grant amount' depends on the actual extent to which the action is implemented in accordance with the Agreement's terms and conditions.

This amount is calculated by the EIT — when the payment of the balance is made (see Article 21.4) — in the following steps:

Step 1 — Application of the reimbursement rates to the eligible costs

Step 2 — Limit to the maximum grant amount

Step 3 — Reduction due to the no-profit rule

Step 4 — Reduction due to substantial errors, irregularities or fraud, or serious breach of obligations

5.3.1 Step 1 — Application of the reimbursement rates to the eligible costs

The reimbursement rate(s) (see Article 5.2) are applied to the eligible costs (actual costs, unit costs and flat-rate costs; see Article 6) declared by the beneficiaries and linked third parties (see Article 20) and approved by the EIT (see Article 21).

5.3.2 Step 2 — Limit to the maximum grant amount

If the amount obtained following Step 1 is higher than the maximum grant amount set out in Article 5.1, it will be limited to the latter.

5.3.3 Step 3 — Reduction due to the no-profit rule

The grant must not produce a profit.

³ Insert precise name of the cost category (as in the Commission decision authorising the use of the unit cost/lump sum). For example: 'access costs for providing trans-national access to research infrastructure', 'costs for clinical studies', 'costs for energy efficiency measures in buildings'.

'Profit' means the surplus of the amount obtained following Steps 1 and 2 plus the action's total receipts, over the action's total eligible costs.

The **'action's total eligible costs'** are the consolidated total eligible costs approved by the EIT.

The **'action's total receipts'** are the consolidated total receipts generated during its duration (see Article 3).

The following are considered **receipts**:

- (a) income generated by the action; if the income is generated from selling equipment or other assets purchased under the Agreement, the receipt is up to the amount declared as eligible under the Agreement;
- (b) financial contributions given by third parties to the beneficiary or to a linked third party specifically to be used for the action, and
- (c) in-kind contributions provided by third parties free of charge and specifically to be used for the action, if they have been declared as eligible costs.

The following are however not considered receipts:

- (a) income generated by exploiting the action's results (see Article 28);
- (b) financial contributions by third parties, if they may be used to cover costs other than the eligible costs (see Article 6);
- (c) financial contributions by third parties with no obligation to repay any amount unused at the end of the period set out in Article 3.

If there is a profit, it will be deducted from the amount obtained following Steps 1 and 2.

5.3.4 Step 4 — Reduction due to substantial errors, irregularities or fraud or serious breach of other obligations — Reduced grant amount — Calculation

If the grant is reduced (see Article 43), the EIT will calculate the reduced grant amount by deducting the amount of the reduction (calculated in proportion to the seriousness of the errors, irregularities or fraud or breach of obligations in accordance with Article 43.2) from the maximum grant amount set out in Article 5.1.

The final grant amount will be the lower of the following two:

- the amount obtained following Steps 1 to 3 or
- the reduced grant amount following Step 4.

5.4 Revised final grant amount — Calculation

If — after the payment of the balance (in particular, after checks, reviews, audits or investigations; see Article 22) — the EIT rejects costs (see Article 42) or reduces the grant (see Article 43), it will calculate the '**revised final grant amount**' for the beneficiary concerned by the findings.

This amount is calculated by the EIT on the basis of the findings, as follows:

- in case of **rejection of costs**: by applying the reimbursement rate to the revised eligible costs approved by the EIT for the beneficiary concerned;
- in case of **reduction of the grant**: by calculating the concerned beneficiary's share in the grant amount reduced in proportion to the seriousness of the errors, irregularities or fraud or breach of obligations (see Article 43.2).

In case of **rejection of costs and reduction of the grant**, the revised final grant amount for the beneficiary concerned will be the lower of the two amounts above.

ARTICLE 6 — ELIGIBLE AND INELIGIBLE COSTS

6.1 General conditions for costs to be eligible

'**Eligible costs**' are costs that meet the following criteria:

(a) for **actual costs**:

- (i) they must be actually incurred by the beneficiary;
- (ii) they must be incurred in the period set out in Article 3, with the exception of costs relating to the submission of the final report (see Article 20);
- (iii) they must be indicated in the estimated budget set out in Annex 2;
- (iv) they must be incurred in connection with the action as described in Annex 1 and necessary for its implementation;
- (v) they must be identifiable and verifiable, in particular recorded in the beneficiary's accounts in accordance with the accounting standards applicable in the country where the beneficiary is established and with the beneficiary's usual cost accounting practices;
- (vi) they must comply with the applicable national law on taxes, labour and social security, and
- (vii) they must be reasonable, justified and must comply with the principle of sound financial management, in particular regarding economy and efficiency;

(b) for **unit costs**:

- (i) they must be calculated as follows:

{amounts per unit set out in Annex 6 or calculated by the beneficiary in accordance with its usual cost accounting practices (see Article 6.2, Point A and Article 6.2.D.5)

multiplied by

the number of actual units};

(ii) the number of actual units must comply with the following conditions:

- the units must be actually used or produced in the period set out in Article 3;
- the units must be necessary for implementing the action or produced by it, and
- the number of units must be identifiable and verifiable, in particular supported by records and documentation (see Article 18);

(c) for **flat-rate costs**:

- (i) they must be calculated by applying the flat-rate, and
- (ii) the costs (actual costs or unit costs) to which the flat-rate is applied must comply with the conditions for eligibility set out in this Article.

6.2 Specific conditions for costs to be eligible

Costs are eligible if they comply with the general conditions (see above) and the specific conditions set out below for each of the following budget categories:

- A. direct personnel costs;
- B. direct costs of subcontracting;
- C. not applicable;
- D. other direct costs;
- E. indirect costs;
- F. **[OPTION for specific unit costs: [insert name(s) of specific cost category(ies)⁴].**

‘Direct costs’ are costs that are directly linked to the action implementation and can therefore be attributed to it directly. They must not include any indirect costs (see Point E below).

‘Indirect costs’ are costs that are not directly linked to the action implementation and therefore cannot be attributed directly to it.

A. Direct personnel costs **[(not covered by Point F)]**

Types of eligible personnel costs

⁴ Insert precise name of the cost category (as in the Commission decision authorising the use of the unit cost/lump sum). For example: ‘access costs for providing trans-national access to research infrastructure’, ‘costs for clinical studies’, ‘costs for energy efficiency measures in buildings’.

A.1 Personnel costs are eligible, if they are related to personnel working for the beneficiary under an employment contract (or equivalent appointing act) and assigned to the action ('**costs for employees (or equivalent)**'). They must be limited to salaries (including during parental leave), social security contributions, taxes and other costs included in the **remuneration**, if they arise from national law or the employment contract (or equivalent appointing act).

Beneficiaries that are non-profit legal entities⁵ may also declare as personnel costs **additional remuneration** for personnel assigned to the action (including payments on the basis of supplementary contracts regardless of their nature), if:

- (a) it is part of the beneficiary's usual remuneration practices and is paid in a consistent manner whenever the same kind of work or expertise is required;
- (b) the criteria used to calculate the supplementary payments are objective and generally applied by the beneficiary, regardless of the source of funding used.

'Additional remuneration' means any part of the remuneration which exceeds what the person would be paid for time worked in projects funded by national schemes.

Additional remuneration for personnel assigned to the action is eligible up to the following amount:

- (a) if the person works full time and exclusively on the action during the full year: up to EUR 8 000;
- (b) if the person works exclusively on the action but not full-time or not for the full year: up to the corresponding pro-rata amount of EUR 8 000, or
- (c) if the person does not work exclusively on the action: up to a pro-rata amount calculated as follows:

{{EUR 8 000

divided by

the number of annual productive hours (see below)},

multiplied by

the number of hours that the person has worked on the action during the year}.

A.2 The **costs for natural persons working under a direct contract** with the beneficiary other than an employment contract are eligible personnel costs, if:

⁵ For the definition, see Article 2.1(14) of the Rules for Participation Regulation No 1290/2013: '**non-profit legal entity**' means a legal entity which by its legal form is non-profit-making or which has a legal or statutory obligation not to distribute profits to its shareholders or individual members.

- (a) the person works under conditions similar to those of an employee (in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed);
- (b) the result of the work carried out belongs to the beneficiary (unless exceptionally agreed otherwise), and
- (c) the costs are not significantly different from those for personnel performing similar tasks under an employment contract with the beneficiary.

A.3 The **costs of personnel seconded by a third party against payment** are eligible personnel costs if the conditions in Article 11.1 are met.

A.4 **Costs of owners** of beneficiaries that are small and medium-sized enterprises ('SME owners'), who are working on the action and who do not receive a salary are eligible personnel costs, if they correspond to the amount per unit set out in Annex 6 multiplied by the number of actual hours worked on the action.

A.5 **Costs of 'beneficiaries that are natural persons'** not receiving a salary are eligible personnel costs, if they correspond to the amount per unit set out in Annex 6 multiplied by the number of actual hours worked on the action.

Calculation

Personnel costs must be calculated by the beneficiaries as follows:

{{hourly rate
multiplied by
number of actual hours worked on the action},
plus

for non-profit legal entities: additional remuneration to personnel assigned to the action under the conditions set out above (Point A.1)}.

The number of actual hours declared for a person must be identifiable and verifiable (see Article 18).

The total number of hours declared in EU or Euratom grants, for a person for a year, cannot be higher than the annual productive hours used for the calculations of the hourly rate. Therefore, the maximum number of hours that can be declared for the grant are:

{number of annual productive hours for the year (see below)

minus

total number of hours declared by the beneficiary, for that person for that year, for other EU or Euratom grants}.

The 'hourly rate' is one of the following:

- (a) for personnel costs declared as **actual costs** (i.e. budget categories A.1, A.2, A.3): the hourly rate is the amount calculated per full financial year as follows:

{actual annual personnel costs (excluding additional remuneration) for the person

divided by

number of annual productive hours}

using the personnel costs and the number of productive hours for each full financial year covered by the reporting period concerned. If a financial year is not closed at the end of the reporting period, the beneficiaries must use the hourly rate of the last closed financial year available.

For the 'number of annual productive hours', the beneficiaries may choose one of the following:

- (i) 'fixed number of hours': 1 720 hours for persons working full time (or corresponding pro-rata for persons not working full time);
- (ii) 'individual annual productive hours': the total number of hours worked by the person in the year for the beneficiary, calculated as follows:

{annual workable hours of the person (according to the employment contract, applicable collective labour agreement or national law)

plus

overtime worked

minus

absences (such as sick leave and special leave)).

'Annual workable hours' means the period during which the personnel must be working, at the employer's disposal and carrying out his/her activity or duties under the employment contract, applicable collective labour agreement or national working time legislation.

If the contract (or applicable collective labour agreement or national working time legislation) does not allow to determine the annual workable hours, this option cannot be used;

- (iii) 'standard annual productive hours': the standard number of annual hours generally applied by the beneficiary for its personnel in accordance with its usual

cost accounting practices. This number must be at least 90% of the 'standard annual workable hours'.

If there is no applicable reference for the standard annual workable hours, this option cannot be used.

For all options, the actual time spent on **parental leave** by a person assigned to the action may be deducted from the number of annual productive hours;

As an alternative, beneficiaries may calculate the hourly rate *per month*, as follows:

{actual monthly personnel cost (excluding additional remuneration) for the person

divided by

{number of annual productive hours / 12}}

using the personnel costs for each month and (one twelfth of) the annual productive hours calculated according to either option (i) or (iii) above, i.e.:

- fixed number of hours or
- standard annual productive hours.

Time spent on **parental leave** may not be deducted when calculating the hourly rate per month. However, beneficiaries may declare personnel costs incurred in periods of parental leave in proportion to the time the person worked on the action in that financial year.

If parts of a basic remuneration are generated over a period longer than a month, the beneficiaries may include only the share which is generated in the month (irrespective of the amount actually paid for that month).

Each beneficiary must use only one option (per full financial year or per month) for each full financial year;

(b) for personnel costs declared on the basis of **unit costs** (i.e. budget categories A.1, A.2, A.4, A.5): the hourly rate is one of the following:

- (i) for SME owners or beneficiaries that are natural persons: the hourly rate set out in Annex 6 (see Points A.4 and A.5 above), or
- (ii) for personnel costs declared on the basis of the beneficiary's usual cost accounting practices: the hourly rate calculated by the beneficiary in accordance with its usual cost accounting practices, if:
 - the cost accounting practices used are applied in a consistent manner, based on objective criteria, regardless of the source of funding;

- the hourly rate is calculated using the actual personnel costs recorded in the beneficiary's accounts, excluding any ineligible cost or costs included in other budget categories.

The actual personnel costs may be adjusted by the beneficiary on the basis of budgeted or estimated elements. Those elements must be relevant for calculating the personnel costs, reasonable and correspond to objective and verifiable information;

and

- the hourly rate is calculated using the number of annual productive hours (see above).

B. Direct costs of subcontracting (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the beneficiary) are eligible if the conditions in Article 13.1.1 are met.

C. Not applicable

D. Other direct costs

D.1 Travel costs and related subsistence allowances (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the beneficiary) are eligible if they are in line with the beneficiary's usual practices on travel.

D.2 The costs of purchasing equipment, infrastructure or other assets (new or second-hand) (as recorded in the beneficiary's accounts) are eligible, if the equipment, infrastructure or other assets were purchased in accordance with Article 10.1.1.

The **costs of renting or leasing** equipment, infrastructure or other assets (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the beneficiary) are also eligible, if they do not exceed the depreciation costs of similar equipment, infrastructure or assets and do not include any financing fees.

The costs of equipment, infrastructure or other assets **contributed in-kind against payment** are eligible, if they do not exceed the depreciation costs of similar equipment, infrastructure or assets, do not include any financing fees and if the conditions in Article 11.1 are met.

The only portion of the costs that will be taken into account is that which corresponds to the duration of the action and rate of actual use for the purposes of the action.

D.3 Costs of other goods and services (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the beneficiary) are eligible, if they are:

- (a) purchased specifically for the action and in accordance with Article 10.1.1 or
- (b) contributed in kind against payment and in accordance with Article 11.1.

Such goods and services include, for instance, consumables and supplies, dissemination (including open access), protection of results, certificates on the financial statements (if they are required by the Agreement), certificates on the methodology, translations and publications.

D.4 Not applicable

D.5 **Costs of internally invoiced goods and services** directly used for the action are eligible, if:

- (a) they are declared on the basis of a unit cost calculated in accordance with the beneficiary's usual cost accounting practices;
- (b) the cost accounting practices used are applied in a consistent manner, based on objective criteria, regardless of the source of funding;
- (c) the unit cost is calculated using the actual costs for the good or service recorded in the beneficiary's accounts, excluding any ineligible cost or costs included in other budget categories.

The actual costs may be adjusted by the beneficiary on the basis of budgeted or estimated elements. Those elements must be relevant for calculating the costs, reasonable and correspond to objective and verifiable information;

- (d) the unit cost excludes any costs of items which are not directly linked to the production of the invoiced goods or service.

'Internally invoiced goods and services' means goods or services which are provided by the beneficiary directly for the action and which the beneficiary values on the basis of its usual cost accounting practices.

E. Indirect costs

Indirect costs are eligible if they are declared on the basis of the flat-rate of 25% of the eligible direct costs (see Article 5.2 and Points A to D above), from which are excluded:

- (a) costs of subcontracting and;
- (b) costs of in-kind contributions provided by third parties which are not used on the beneficiary's premises;
- (c) Not applicable;
- (d) *[OPTION if Article 6.2.F applies and the specific unit cost/[lump sum] cost covers indirect costs: [unit costs under Articles 5.2(f) and 6.2.F.][lump sum costs under Articles 5.2(f) and 6.2.F.]]*

Beneficiaries receiving an operating grant⁶ financed by the EU or Euratom budget cannot declare indirect costs for the period covered by the operating grant, unless they can demonstrate that the operating grant does not cover any costs of the action.

F. [OPTION: [Insert name of specific cost category(ies)]⁷][OPTION if no specific cost categories applicable to the grant: Specific cost category(ies)]

[OPTION for specific unit costs (if unit cost foreseen by Commission decision and applicable to the grant): [Insert name of specific cost category] are eligible, if they correspond to the amount per unit set out in the Commission Decision No [insert references to the relevant Commission decision] multiplied by the actual number of units [and if [insert eligibility conditions, if any]].]

[OPTION for specific lump sum costs (if lump sum foreseen by Commission decision and applicable to the grant): [Insert name of specific cost category] are eligible, if they correspond to the lump sum set out in Annex 2 and the corresponding tasks or parts of the action have been properly implemented in accordance with Annex 1.]

[same for each specific cost category]

6.3 Conditions for costs of linked third parties to be eligible

Costs incurred by linked third parties are eligible if they fulfil — *mutatis mutandis* — the general and specific conditions for eligibility set out in this Article (Article 6.1 and 6.2) and Article 14.1.1.

6.4 Conditions for in-kind contributions provided by third parties free of charge to be eligible

In-kind contributions provided free of charge are eligible direct costs (for the beneficiary or linked third party), if the costs incurred by the third party fulfil — *mutatis mutandis* — the general and specific conditions for eligibility set out in this Article (Article 6.1 and 6.2) and Article 12.1.

6.5 Ineligible costs

'Ineligible costs' are:

- (a) costs that do not comply with the conditions set out above (Article 6.1 to 6.4), in particular:
 - (i) costs related to return on capital;
 - (ii) debt and debt service charges;

⁶ For the definition, see Article 121(1)(b) of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 ('**Financial Regulation No 966/2012**') (OJ L 218, 26.10.2012, p.1): '**operating grant**' means direct financial contribution, by way of donation, from the budget in order to finance the functioning of a body which pursues an aim of general EU interest or has an objective forming part of and supporting an EU policy.

⁷ Insert precise name of the cost category (as in the Commission decision authorising the use of the unit cost/lump sum). For example: 'access costs for providing trans-national access to research infrastructure', 'costs for clinical studies', 'costs for energy efficiency measures in buildings'.

- (iii) provisions for future losses or debts;
 - (iv) interest owed;
 - (v) doubtful debts;
 - (vi) currency exchange losses;
 - (vii) bank costs charged by the beneficiary's bank for transfers from the EIT;
 - (viii) excessive or reckless expenditure;
 - (ix) deductible VAT;
 - (x) costs incurred during suspension of the implementation of the action (see Article 49);
- (b) costs declared under another EU or Euratom grant (including grants awarded by a Member State and financed by the EU or Euratom budget and grants awarded by bodies other than the EIT for the purpose of implementing the EU or Euratom budget); in particular, indirect costs if the beneficiary is already receiving an operating grant financed by the EU or Euratom budget in the same period, unless it can demonstrate that the operating grant does not cover any costs of the action;
- (c) Not applicable.

6.6 Consequences of declaration of ineligible costs

Declared costs that are ineligible will be rejected (see Article 42).

This may also lead to any of the other measures described in Chapter 6.

CHAPTER 4 RIGHTS AND OBLIGATIONS OF THE PARTIES

SECTION 1 RIGHTS AND OBLIGATIONS RELATED TO IMPLEMENTING THE ACTION

ARTICLE 7 — GENERAL OBLIGATION TO PROPERLY IMPLEMENT THE ACTION

7.1 General obligation to properly implement the action

The beneficiaries must implement the action as described in Annex 1 and in compliance with the provisions of the Agreement and all legal obligations under applicable EU, international and national law.

7.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 43).

Such breaches may also lead to any of the other measures described in Chapter 6.

ARTICLE 8 — RESOURCES TO IMPLEMENT THE ACTION — THIRD PARTIES INVOLVED IN THE ACTION

The beneficiaries must have the appropriate resources to implement the action.

If it is necessary to implement the action, the beneficiaries may:

- purchase goods, works and services (see Article 10);
- use in-kind contributions provided by third parties against payment (see Article 11);
- use in-kind contributions provided by third parties free of charge (see Article 12);
- call upon subcontractors to implement action tasks described in Annex 1 (see Article 13);
- call upon linked third parties to implement action tasks described in Annex 1 (see Article 14);
- call upon international partners to implement action tasks described in Annex 1 (see Article 14a).

In these cases, the beneficiaries retain sole responsibility towards the EIT and the other beneficiaries for implementing the action.

ARTICLE 9 — IMPLEMENTATION OF ACTION TASKS BY BENEFICIARIES NOT RECEIVING EU FUNDING

[OPTION 1 for beneficiaries not receiving EU funding: 9.1 Rules for the implementation of action tasks by beneficiaries not receiving EU funding]

*Beneficiaries that [are not eligible for EU funding][or][request zero funding] (**'beneficiaries not receiving EU funding'**) must implement the action tasks attributed to them in Annex 1 in accordance with Article 7.1.*

Their costs are estimated in Annex 2 but:

- will not be reimbursed and
- will not be taken into account for the calculation of the grant (see Articles 5.2, 5.3 and 5.4, and 21).

[OPTION A, to be used if the beneficiary not receiving EU funding IS NOT the coordinator and does not have linked third parties receiving EU funding: Chapter 3, Articles 10 to 15, 18.1.2, 20.3(b), 20.4(b), 20.6, 21, 23a, 26.4, 27.2, 28.1 **[OPTION:** (with the exception of additional exploitation obligations)], 28.2, 30.3, 31.5, 40, 42, 43, 44, 47 and 48 do not apply to **[OPTION 1 by default:** these beneficiaries]**[OPTION 2 if more than one of the three options apply to the grant:** [insert short name of the beneficiary]).

[They][The beneficiary] will not be subject to financial checks, reviews and audits under Article 22.]

[OPTION B, to be used if the beneficiary/coordinator not receiving EU funding has linked third parties receiving EU funding: Chapter 3, Articles 10 to 15, 20.6, 23a and 40 do not apply to **[OPTION 1 by default:** these beneficiaries]**[OPTION 2 if more than one of the three options apply to the grant:** [insert short name of the beneficiary]).

Articles 26.4, 27.2, 28.1 **[OPTION:** (with the exception of additional exploitation obligations)], 28.2, 30.3, 31.5 do not apply to results generated without EU funds.

[These beneficiaries][The beneficiary] will not be subject to financial checks, reviews and audits under Article 22 for [their][its] own costs.]

Beneficiaries not receiving EU funding may provide in-kind contributions to another beneficiary. In this case, they will be considered as a third party for the purpose of Articles 11 and 12.

[additional OPTION for beneficiaries requesting zero funding: If a beneficiary requesting zero funding receives funding later on (through an amendment; see Article 55), all obligations will apply retroactively.]

9.2 Consequences of non-compliance

If a beneficiary not receiving EU funding breaches any of its obligations under this Article, its participation in the Agreement may be terminated (see Article 50).

Such breaches may also lead to any of the other measures described in Chapter 6 that are applicable to it.]

[OPTION 2: Not applicable]

ARTICLE 10 — PURCHASE OF GOODS, WORKS OR SERVICES

10.1 Rules for purchasing goods, works or services

10.1.1 If necessary to implement the action, the beneficiaries may purchase goods, works or services.

The beneficiaries must make such purchases ensuring the best value for money or, if appropriate, the lowest price. In doing so, they must avoid any conflict of interests (see Article 35).

The beneficiaries must ensure that the EIT, the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 22 and 23 also towards their contractors.

10.1.2 Beneficiaries that are ‘contracting authorities’ within the meaning of Directive 2004/18/EC⁸ (or 2014/24/EU⁹) or ‘contracting entities’ within the meaning of Directive 2004/17/EC¹⁰ (or 2014/25/EU¹¹) must comply with the applicable national law on public procurement.

10.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under Article 10.1.1, the costs related to the contract concerned will be ineligible (see Article 6) and will be rejected (see Article 42).

If a beneficiary breaches any of its obligations under Article 10.1.2, the grant may be reduced (see Article 43).

Such breaches may also lead to any of the other measures described in Chapter 6.

ARTICLE 11 — USE OF IN-KIND CONTRIBUTIONS PROVIDED BY THIRD PARTIES AGAINST PAYMENT

11.1 Rules for the use of in-kind contributions against payment

If necessary to implement the action, the beneficiaries may use in-kind contributions provided by third parties against payment.

⁸ Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public work contracts, public supply contracts and public service contracts (OJ L 134, 30.04.2004, p. 114).

⁹ Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC. (OJ L 94, 28.03.2014, p. 65).

¹⁰ Directive 2004/17/EC of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors (OJ L 134, 30.04.2004, p. 1).

¹¹ Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on public procurement by entities operating in the water, energy, transport and postal sectors and repealing Directive 2004/17/EC (OJ L 94, 28.03.2014, p. 243).

The beneficiaries may declare costs related to the payment of in-kind contributions as eligible (see Article 6.1 and 6.2), up to the third parties' costs for the seconded persons, contributed equipment, infrastructure or other assets or other contributed goods and services.

The third parties and their contributions must be set out in Annex 1. The EIT may however approve in-kind contributions not set out in Annex 1 without amendment (see Article 55), if:

- they are specifically justified in the final start-up report and
- their use does not entail changes to the Agreement which would call into question the decision awarding the grant or breach the principle of equal treatment of applicants.

The beneficiaries must ensure that the EIT, the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 22 and 23 also towards the third parties.

11.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the costs related to the payment of the in-kind contribution will be ineligible (see Article 6) and will be rejected (see Article 42).

Such breaches may also lead to any of the other measures described in Chapter 6.

ARTICLE 12 — USE OF IN-KIND CONTRIBUTIONS PROVIDED BY THIRD PARTIES FREE OF CHARGE

12.1 Rules for the use of in-kind contributions free of charge

If necessary to implement the action, the beneficiaries may use in-kind contributions provided by third parties free of charge.

The beneficiaries may declare costs incurred by the third parties for the seconded persons, contributed equipment, infrastructure or other assets or other contributed goods and services as eligible in accordance with Article 6.4.

The third parties and their contributions must be set out in Annex 1. The EIT may however approve in-kind contributions not set out in Annex 1 without amendment (see Article 55), if:

- they are specifically justified in the final start-up report and
- their use does not entail changes to the Agreement which would call into question the decision awarding the grant or breach the principle of equal treatment of applicants.

The beneficiaries must ensure that the EIT, the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 22 and 23 also towards the third parties.

12.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the costs incurred by the third parties related to the in-kind contribution will be ineligible (see Article 6) and will be rejected (see Article 42).

Such breaches may also lead to any of the other measures described in Chapter 6.

ARTICLE 13 — IMPLEMENTATION OF ACTION TASKS BY SUBCONTRACTORS

13.1 Rules for subcontracting action tasks

13.1.1 If necessary to implement the action, the beneficiaries may award subcontracts covering the implementation of certain action tasks described in Annex 1.

Subcontracting may cover only a limited part of the action.

The beneficiaries must award the subcontracts ensuring the best value for money or, if appropriate, the lowest price. In doing so, they must avoid any conflict of interests (see Article 35).

The beneficiaries must also ensure that every prior information notice, contract notice or contract award notice published in relation to the subcontracting includes the following disclaimer:

“This procurement receives funding from the European Institute of Innovation and Technology (EIT), a body of the European Union, under the H2020 research and innovation programme, under the grant agreement No [number]. The EIT is however not participating as a contracting authority in this procurement.”

The tasks to be implemented and the estimated cost for each subcontract must be set out in Annex 1 and the total estimated costs of subcontracting per beneficiary must be set out in Annex 2. The EIT may however approve subcontracts not set out in Annex 1 and 2 without amendment (see Article 55), if:

- they are specifically justified in the final start-up report and
- they do not entail changes to the Agreement which would call into question the decision awarding the grant or breach the principle of equal treatment of applicants.

The beneficiaries must ensure that the EIT, the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 22 and 23 also towards their subcontractors.

13.1.2 The beneficiaries must ensure that their obligations under Articles 35, 36, 38 and 46 also apply to the subcontractors.

Beneficiaries that are ‘contracting authorities’ within the meaning of Directive 2004/18/EC (or 2014/24/EU) or ‘contracting entities’ within the meaning of Directive 2004/17/EC (or 2014/25/EU) must comply with the applicable national law on public procurement.

13.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under Article 13.1.1, the costs related to the subcontract concerned will be ineligible (see Article 6) and will be rejected (see Article 42).

If a beneficiary breaches any of its obligations under Article 13.1.2, the grant may be reduced (see Article 43).

Such breaches may also lead to any of the other measures described in Chapter 6.

ARTICLE 14 — IMPLEMENTATION OF ACTION TASKS BY LINKED THIRD PARTIES

14.1 Rules for calling upon linked third parties to implement part of the action

14.1.1 The **affiliated entities**¹² and **third parties with a legal link to a beneficiary**¹³ ('linked third parties') included in Annex 7 may implement the action tasks attributed to them in Annex 1.

If joint and several liability has been requested by the EIT, a linked third party listed in Annex 7 may implement action tasks if it has accepted joint and several liability with the KIC Partner (see Annex 3a).

The linked third parties may declare as eligible the costs they incur for implementing the action tasks in accordance with Article 6.3.

The beneficiaries must ensure that EIT, the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 22 and 23 also towards their linked third parties.

14.1.2 The beneficiaries must ensure that their obligations under Articles 18, 20, 35, 36 and 38 also apply to their linked third parties.

14.2 Consequences of non-compliance

If any obligation under Article 14.1.1 is breached, the costs of the linked third party will be ineligible (see Article 6) and will be rejected (see Article 42).

If any obligation under Article 14.1.2 is breached, the grant may be reduced (see Article 43).

¹² For the definition see Article 2.1(2) Rules for Participation Regulation No 1290/2013: '**affiliated entity**' means any legal entity that is:

- under the direct or indirect control of a participant, or
- under the same direct or indirect control as the participant, or
- directly or indirectly controlling a participant.

'Control' may take any of the following forms:

- (a) the direct or indirect holding of more than 50% of the nominal value of the issued share capital in the legal entity concerned, or of a majority of the voting rights of the shareholders or associates of that entity;
- (b) the direct or indirect holding, in fact or in law, of decision-making powers in the legal entity concerned.

However, the following relationships between legal entities shall not in themselves constitute controlling relationships:

- (a) the same public investment corporation, institutional investor or venture-capital company has a direct or indirect holding of more than 50% of the nominal value of the issued share capital or a majority of voting rights of the shareholders or associates;
- (b) the legal entities concerned are owned or supervised by the same public body.

¹³ '**Third party with a legal link to a beneficiary**' is any legal entity which has a legal link to the beneficiary implying collaboration that is not limited to the action.

Such breaches may also lead to any of the other measures described in Chapter 6.

ARTICLE 14a — IMPLEMENTATION OF ACTION TASKS BY INTERNATIONAL PARTNERS

[OPTION 1: 14a.1 Rules for calling upon international partners to implement part of the action]

The following international **partners**¹⁴ may implement the action tasks attributed to them in Annex 1:

- [name of the entity (short name)], international partner of [short name of the beneficiary]
- [name of the entity (short name)], international partner of [short name of the beneficiary]
- [same for more international partners]

The costs of the international partners are estimated in Annex 2 but:

- will not be reimbursed and
- will not be taken into account for the calculation of the grant.

The beneficiaries must ensure that [the Agency,] the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 22 and 23 also towards their international partners.

The beneficiaries must ensure that their obligations under Articles 18.1.1, 20.3(a), 20.4(a), 35, 36, 38 also apply to their international partners.

14a.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 43).

Such breaches may also lead to any of the other measures described in Chapter 6.]

[OPTION 2: Not applicable]

ARTICLE 15 — FINANCIAL SUPPORT TO THIRD PARTIES

15.1 Rules for providing financial support to third parties

Not applicable

15.2 Financial support in the form of prizes

Not applicable

¹⁴ 'International partner' is any legal entity established in a non-associated third country which is not eligible for funding under Article 10 of the Rules for Participation Regulation No 1290/2013.

15.3 Consequences of non-compliance

Not applicable

ARTICLE 16 — PROVISION OF TRANS-NATIONAL OR VIRTUAL ACCESS TO RESEARCH INFRASTRUCTURE

16.1 Rules for providing trans-national access to research infrastructure

Not applicable

16.2 Rules for providing virtual access to research infrastructure

Not applicable

16.3 Consequences of non-compliance

Not applicable

SECTION 2 RIGHTS AND OBLIGATIONS RELATED TO THE GRANT ADMINISTRATION

ARTICLE 17 — GENERAL OBLIGATION TO INFORM

17.1 General obligation to provide information upon request

The beneficiaries must provide — during implementation of the action or afterwards and in accordance with Article 41.2 — any information requested in order to verify eligibility of the costs, proper implementation of the action and compliance with any other obligation under the Agreement.

17.2 Obligation to keep information up to date and to inform about events and circumstances likely to affect the Agreement

Each beneficiary must immediately inform the coordinator — which must immediately inform the EIT and the other beneficiaries — of any of the following:

- (a) **events** which are likely to affect significantly or delay the implementation of the action or the EU's financial interests, in particular:
 - (i) changes in its legal, financial, technical, organisational or ownership situation or those of its linked third parties and
 - (ii) changes in the name, address, legal form, organisation type of its linked third parties;
- (b) **circumstances** affecting:
 - (i) the decision to award the grant or
 - (ii) compliance with requirements under the Agreement.

17.3 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 43).

Such breaches may also lead to any of the other measures described in Chapter 6.

ARTICLE 18 — KEEPING RECORDS — SUPPORTING DOCUMENTATION

18.1 Obligation to keep records and other supporting documentation

The beneficiaries must — for a period of 5 years after the payment of the balance — keep records and other supporting documentation in order to prove the proper implementation of the action and the costs they declare as eligible.

They must make them available upon request (see Article 17) or in the context of checks, reviews, audits or investigations (see Article 22).

If there are on-going checks, reviews, audits, investigations, litigation or other pursuits of claims under the Agreement (including the extension of findings; see Article 22), the beneficiaries must keep the records and other supporting documentation until the end of these procedures.

The beneficiaries must keep the original documents. Digital and digitalised documents are considered originals if they are authorised by the applicable national law. The EIT may accept non-original documents if it considers that they offer a comparable level of assurance.

18.1.1 Records and other supporting documentation on the technical implementation

The beneficiaries must keep records and other supporting documentation on the technical implementation of the action in line with the accepted standards in the respective field.

18.1.2 Records and other documentation to support the costs declared

The beneficiaries must keep the records and documentation supporting the costs declared, in particular the following:

- (a) for **actual costs**: adequate records and other supporting documentation to prove the costs declared, such as contracts, subcontracts, invoices and accounting records. In addition, the beneficiaries' usual cost accounting practices and internal control procedures must enable direct reconciliation between the amounts declared, the amounts recorded in their accounts and the amounts stated in the supporting documentation;
- (b) for **unit costs**: adequate records and other supporting documentation to prove the number of units declared. Beneficiaries do not need to identify the actual eligible costs covered or to keep or provide supporting documentation (such as accounting statements) to prove the amount per unit.

In addition, for **unit costs calculated in accordance with the beneficiary's usual cost accounting practices**, the beneficiaries must keep adequate records and documentation to prove that the cost accounting practices used comply with the conditions set out in Article 6.2.

The beneficiaries and linked third parties may submit to the EIT, for approval by the Commission, a certificate (drawn up in accordance with Annex 6) stating that their usual cost accounting practices comply with these conditions (**'certificate on the methodology'**). If the certificate is approved, costs declared in line with this methodology will not be challenged subsequently, unless the beneficiary has concealed information for the purpose of the approval.

- (c) for **flat-rate costs**: adequate records and other supporting documentation to prove the eligibility of the costs to which the flat-rate is applied. The beneficiaries do not need to identify the costs covered or provide supporting documentation (such as accounting statements) to prove the amount declared at a flat-rate.
- (d) *[OPTION if lump sum foreseen in Article 5.2: for lump sum costs: adequate records and other supporting documentation to prove that the corresponding tasks or part of the action as described in Annex 1 were implemented properly. The beneficiaries do not need to identify the actual eligible costs covered or provide supporting documentation (such as accounting statements) to prove the amount declared as a lump sum.]*

In addition, for **personnel costs** (declared as actual costs or on the basis of unit costs), the beneficiaries must keep **time records** for the number of hours declared. The time records must be in writing and approved by the persons working on the action and their supervisors, at least monthly. In the absence of reliable time records of the hours worked on the action, the EIT may accept alternative evidence supporting the number of hours declared, if it considers that it offers an adequate level of assurance.

As an exception, for **persons working exclusively on the action**, there is no need to keep time records, if the beneficiary signs a **declaration** confirming that the persons concerned have worked exclusively on the action.

For costs declared by linked third parties (see Article 14), it is the beneficiary that must keep the originals of the financial statements and the certificates on the financial statements of the linked third parties.

18.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, costs insufficiently substantiated will be ineligible (see Article 6) and will be rejected (see Article 42), and the grant may be reduced (see Article 43).

Such breaches may also lead to any of the other measures described in Chapter 6.

ARTICLE 19 — SUBMISSION OF DELIVERABLES

19.1 Obligation to submit deliverables

The coordinator must submit the '**deliverables**' identified in Annex 1, in accordance with the timing and conditions set out in it.

19.2 Consequences of non-compliance

If the coordinator breaches any of its obligations under this Article, the EIT may apply any of the measures described in Chapter 6.

ARTICLE 20 — REPORTING — PAYMENT REQUESTS

20.1 Obligation to submit reports

20.1.1 The coordinator will provide the EIT with an interim progress report by 15 September 2017.

20.1.2 The coordinator must submit to the EIT (see Article 52) the final start-up and financial reports set out in this Article. These reports include the request for payment and must be submitted in accordance with Article 52.

20.2 Reporting period

The specific action covers one reporting period from January to December.

20.3 Periodic reports — Requests for interim payments

Not applicable.

20.4 Final reports — Request for payment of the balance

The coordinator must submit the final reports within 60 days following the end of the final date of the implementation of the action.

The **final reports** must include the following:

- (a) a '**final start-up report**' with a **summary** for publication containing:
 - (i) an overview of the results;
 - (ii) the conclusions on the action.
- (b) a '**final financial report**' containing:
 - (i) a '**final summary financial statement**' (see Annex 4a), including the **request for payment of the balance** and individual financial statements (see Annex 4b) by beneficiaries requesting EIT contribution and

- (ii) a ‘**certificate on the financial statements**’ (drawn up in accordance with Annex 5) for each beneficiary and for each linked third party, if it requests a total contribution of EUR 325 000 or more, as reimbursement of actual costs and unit costs calculated on the basis of its usual cost accounting practices (see Article 5.2 and Article 6.2).

20.5 Information on cumulative expenditure incurred

Not applicable

20.6 Currency for financial statements and conversion into euro

Financial statements must be drafted in euro.

Beneficiaries and linked third parties with accounting established in a currency other than the euro must convert the costs recorded in their accounts into euro, at the average of the daily exchange rates published in the C series of the *Official Journal of the European Union*, calculated over the corresponding reporting period.

If no daily euro exchange rate is published in the *Official Journal of the European Union* for the currency in question, they must be converted at the average of the monthly accounting rates published on the Commission’s website, calculated over the corresponding reporting period.

Beneficiaries and linked third parties with accounting established in euro must convert costs incurred in another currency into euro according to their usual accounting practices.

20.7 Language of reports

All reports (start-up and financial reports, including financial statements) must be submitted in English, the working language of the EIT.

20.8 Consequences of non-compliance

If the reports submitted do not comply with this Article, the EIT may suspend the payment deadline (see Article 47) and apply any of the other measures described in Chapter 6.

If the coordinator breaches its obligation to submit the reports and if it fails to comply with this obligation within 30 days following a written reminder, the EIT may terminate the Agreement (see Article 50) or apply any of the other measures described in Chapter 6.

ARTICLE 21 — PAYMENTS AND PAYMENT ARRANGEMENTS

21.1 Payments to be made

The following payments will be made to the coordinator:

- a pre-financing payment;

- a **payment of the balance**, on the basis of the request for payment of the balance (see Article 20).

21.2 Pre-financing payment — Amount — Amount retained for the Guarantee Fund

The aim of the pre-financing is to provide the beneficiaries with a float.

It remains the property of the EU until the payment of the balance.

The amount of the pre-financing payment will be EUR [insert amount (insert amount in words)].

The EIT will — except if Article 48 applies — make the pre-financing payment to the coordinator within 30 days from the entry into force of the Agreement (see Article 58).

An amount of EUR [insert amount (insert amount in words)], corresponding to 5% of the maximum grant amount (see Article 5.1), is retained by the EIT from the pre-financing payment and transferred into the 'Guarantee Fund'

21.3 Interim payments — Amount — Calculation

Not applicable.

21.4 Payment of the balance — Amount — Calculation — Release of the amount retained for the Guarantee Fund

The payment of the balance reimburses the remaining part of the eligible costs incurred by the beneficiaries for the implementation of the action.

If the total amount of the pre-financing payment is greater than the final grant amount (see Article 5.3), the payment of the balance takes the form of a recovery (see Article 44).

If the total amount of pre-financing payment is lower than the final grant amount, the EIT will pay the balance within 90 days from receiving the final reports (see Article 20.4), except if Articles 47 or 48 apply.

Payment is subject to the approval of the final reports. Its approval does not imply recognition of the compliance, authenticity, completeness or correctness of its content.

The **amount due as the balance** is calculated by the EIT by deducting the total amount of pre-financing payment made, from the final grant amount determined in accordance with Article 5.3:

{final grant amount (see Article 5.3)

minus

{pre-financing payment made}).

At the payment of the balance, the amount retained for the Guarantee Fund (see above) will be released and:

- if the balance is positive: the amount released will be paid in full to the coordinator together with the amount due as the balance;
- if the balance is negative (payment of the balance taking the form of recovery): it will be deducted from the amount released (see Article 44.1.2). If the resulting amount:
 - is positive, it will be paid to the coordinator
 - is negative, it will be recovered.

The amount to be paid may however be offset — without the beneficiaries' consent — against any other amount owed by the beneficiary to the EIT, the Commission or an executive agency (under the EU or Euratom budget), up to the maximum EU contribution indicated, for that beneficiary, in the estimated budget (see Annex 2).

21.5 Notification of amounts due

For the payment of the balance, the EIT will formally notify to the coordinator, the notification will specify the amount due and the final grant amount.

In the case of reduction of the grant or recovery of undue amounts, the notification will be preceded by the contradictory procedure set out in Articles 43 and 44.

21.6 Currency for payments

The EIT will make all payments in euro.

21.7 Payments to the coordinator — Distribution to the beneficiaries

Payments will be made to the coordinator.

Payments to the coordinator will discharge the EIT from its payment obligation.

The coordinator must distribute the payments between the beneficiaries without unjustified delay.

Pre-financing may however be distributed only to beneficiaries that have acceded to the Agreement (see Article 56).

21.8 Bank account for payments

All payments will be made to the following bank account:

Name of bank: [...]

Full name of the account holder: [...]

Full account number (including bank codes): [...]

IBAN code: [...] ¹⁵

21.9 Costs of payment transfers

The cost of the payment transfers is borne as follows:

- the EIT bears the cost of transfers charged by its bank;
- the beneficiary bears the cost of transfers charged by its bank;
- the party causing a repetition of a transfer bears all costs of the repeated transfer.

21.10 Date of payment

Payments by the EIT are considered to have been carried out on the date when they are debited to its account.

21.11 Consequences of non-compliance

21.11.1 If the EIT does not pay within the payment deadlines (see above), the beneficiaries are entitled to **late-payment interest** at the rate applied by the European Central Bank (ECB) for its main refinancing operations in euros ('reference rate'), plus three and a half points. The reference rate is the rate in force on the first day of the month in which the payment deadline expires, as published in the C series of the *Official Journal of the European Union*.

If the late-payment interest is lower than or equal to EUR 200, it will be paid to the coordinator only upon request submitted within two months of receiving the late payment.

Late-payment interest is not due if all beneficiaries are EU Member States (including regional and local government authorities or other public bodies acting on behalf of a Member State for the purpose of this Agreement).

Suspension of the payment deadline or payments (see Articles 47 and 48) will not be considered as late payment.

Late-payment interest covers the period running from the day following the due date for payment (see above), up to and including the date of payment. Late-payment interest is not considered for the purposes of calculating the final grant amount.

21.11.2 If the coordinator breaches any of its obligations under this Article, the grant may be reduced (see Article 43) and the Agreement or the participation of the coordinator may be terminated (see Article 50).

Such breaches may also lead to any of the other measures described in Chapter 6.

ARTICLE 22 — CHECKS, REVIEWS, AUDITS AND INVESTIGATIONS — EXTENSION OF FINDINGS

¹⁵ BIC or SWIFT code applies to for countries if the IBAN code does not apply.

22.1 Checks, reviews and audits by the EIT

22.1.1 Right to carry out checks

The EIT will — during the implementation of the action or afterwards — check the proper implementation of the action and compliance with the obligations under the Agreement, including assessing deliverables and reports.

For this purpose the EIT may be assisted by external persons or bodies.

The EIT may also request additional information in accordance with Article 17. The EIT may request beneficiaries to provide such information to it directly.

Information provided must be accurate, precise and complete and in the format requested, including electronic format.

22.1.2 Right to carry out reviews

The EIT may — during the implementation of the action or afterwards — carry out reviews on the proper implementation of the action (including assessment of deliverables and reports), compliance with the obligations under the Agreement.

Reviews may be started up to two years after the payment of the balance. They will be formally notified to the coordinator or beneficiary concerned and will be considered to have started on the date of the formal notification.

If the review is carried out on a third party (see Articles 10 to 16), the beneficiary concerned must inform the third party.

The EIT may carry out reviews directly (using its own staff) or indirectly (using external persons or bodies appointed to do so). It will inform the coordinator or beneficiary concerned of the identity of the external persons or bodies. They have the right to object to the appointment on grounds of commercial confidentiality.

The coordinator or beneficiary concerned must provide — within the deadline requested — any information and data in addition to deliverables and reports already submitted (including information on the use of resources). The EIT may request beneficiaries to provide such information to it directly.

The coordinator or beneficiary concerned may be requested to participate in meetings, including with external experts.

For **on-the-spot** reviews, the beneficiaries must allow access to their sites and premises, including to external persons or bodies, and must ensure that information requested is readily available.

Information provided must be accurate, precise and complete and in the format requested, including electronic format.

On the basis of the review findings, a '**review report**' will be drawn up.

The EIT will formally notify the review report to the coordinator or beneficiary concerned, which has 30 days to formally notify observations (**'contradictory review procedure'**).

Reviews (including review reports) are in the language of the Agreement.

22.1.3 Right to carry out audits

The EIT may — during the implementation of the action or afterwards — carry out audits on the proper implementation of the action and compliance with the obligations under the Agreement.

Audits may be started up to two years after the payment of the balance. They will be formally notified to the coordinator or beneficiary concerned and will be considered to have started on the date of the formal notification.

If the audit is carried out on a third party (see Articles 10 to 16), the beneficiary concerned must inform the third party.

The EIT may carry out audits directly (using its own staff) or indirectly (using external persons or bodies appointed to do so). It will inform the coordinator or beneficiary concerned of the identity of the external persons or bodies. They have the right to object to the appointment on grounds of commercial confidentiality.

The coordinator or beneficiary concerned must provide — within the deadline requested — any information (including complete accounts, individual salary statements or other personal data) to verify compliance with the Agreement. The EIT may request beneficiaries to provide such information to it directly.

For **on-the-spot** audits, the beneficiaries must allow access to their sites and premises, including to external persons or bodies, and must ensure that information requested is readily available.

Information provided must be accurate, precise and complete and in the format requested, including electronic format.

On the basis of the audit findings, a **'draft audit report'** will be drawn up.

The EIT will formally notify the draft audit report to the coordinator or beneficiary concerned, which has 30 days to formally notify observations (**'contradictory audit procedure'**). This period may be extended by the EIT in justified cases.

The **'final audit report'** will take into account observations by the coordinator or beneficiary concerned. The report will be formally notified to it.

Audits (including audit reports) are in the language of the Agreement.

The EIT may also access the beneficiaries' statutory records for the periodical assessment of unit costs or flat-rate amounts.

22.2 Investigations by the European Anti-Fraud Office (OLAF)

Under Regulations No 883/2013¹⁶ and No 2185/96¹⁷ (and in accordance with their provisions and procedures), the European Anti-Fraud Office (OLAF) may — at any moment during implementation of the action or afterwards — carry out investigations, including on-the-spot checks and inspections, to establish whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the EU.

22.3 Checks and audits by the European Court of Auditors (ECA)

Under Article 287 of the Treaty on the Functioning of the European Union (TFEU) and Article 161 of the Financial Regulation No 966/2012¹⁸, the European Court of Auditors (ECA) may — at any moment during implementation of the action or afterwards — carry out audits.

The ECA has the right of access for the purpose of checks and audits.

22.4 Checks, reviews, audits and investigations for international organisations

Not applicable

22.5 Consequences of findings in checks, reviews, audits and investigations — Extension of findings

22.5.1 Findings in this grant

Findings in checks, reviews, audits or investigations carried out in the context of this grant may lead to the rejection of ineligible costs (see Article 42), reduction of the grant (see Article 43), recovery of undue amounts (see Article 44) or to any of the other measures described in Chapter 6.

Rejection of costs or reduction of the grant after the payment of the balance will lead to a revised final grant amount (see Article 5.4).

Findings in checks, reviews, audits or investigations may lead to a request for amendment for the modification of Annex 1 (see Article 55).

Checks, reviews, audits or investigations that find systemic or recurrent errors, irregularities, fraud or breach of obligations may also lead to consequences in other EU or Euratom grants awarded under similar conditions (**‘extension of findings from this grant to other grants’**).

¹⁶ Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.09.2013, p. 1).

¹⁷ Council Regulation (Euratom, EC) No 2185/1996 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2).

¹⁸ Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

Moreover, findings arising from an OLAF investigation may lead to criminal prosecution under national law.

22.5.2 Findings in other grants

The EIT may extend findings from other grants to this grant ('**extension of findings from other grants to this grant**'), if:

- (a) the beneficiary concerned is found, in other EU or Euratom grants awarded under similar conditions, to have committed systemic or recurrent errors, irregularities, fraud or breach of obligations that have a material impact on this grant and
- (b) those findings are formally notified to the beneficiary concerned — together with the list of grants affected by the findings — no later than two years after the payment of the balance of this grant.

The extension of findings may lead to the rejection of costs (see Article 42), reduction of the grant (see Article 43), recovery of undue amounts (see Article 44), suspension of payments (see Article 48), suspension of the action implementation (see Article 49) or termination (see Article 50).

22.5.3 Procedure

The EIT will formally notify the beneficiary concerned the systemic or recurrent errors and its intention to extend these audit findings, together with the list of grants affected.

22.5.3.1 If the findings concern **eligibility of costs**: the formal notification will include:

- (a) an invitation to submit observations on the list of grants affected by the findings;
- (b) the request to submit **revised financial statements** for all grants affected;
- (c) the **correction rate for extrapolation** established by the EIT on the basis of the systemic or recurrent errors, to calculate the amounts to be rejected if the beneficiary concerned:
 - (i) considers that the submission of revised financial statements is not possible or practicable or
 - (ii) does not submit revised financial statements.

The beneficiary concerned has 90 days from receiving notification to submit observations, revised financial statements or to propose a duly substantiated **alternative correction method**. This period may be extended by the EIT in justified cases.

The EIT may then start a rejection procedure in accordance with Article 42, on the basis of:

- the revised financial statements, if approved;
- the proposed alternative correction method, if accepted

or

the initially notified correction rate for extrapolation, if it does not receive any observations or revised financial statements, does not accept the observations or the proposed alternative correction method or does not approve the revised financial statements.

22.5.3.2 If the findings concern **substantial errors, irregularities or fraud or serious breach of obligations**: the formal notification will include:

- (a) an invitation to submit observations on the list of grants affected by the findings and
- (b) the flat-rate the EIT intends to apply according to the principle of proportionality.

The beneficiary concerned has 90 days from receiving notification to submit observations or to propose a duly substantiated alternative flat-rate.

The EIT may then start a reduction procedure in accordance with Article 43, on the basis of:

- the proposed alternative flat-rate, if accepted
- or
- the initially notified flat-rate, if it does not receive any observations or does not accept the observations or the proposed alternative flat-rate.

22.6 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, any insufficiently substantiated costs will be ineligible (see Article 6) and will be rejected (see Article 42).

Such breaches may also lead to any of the other measures described in Chapter 6.

ARTICLE 23 — EVALUATION OF THE IMPACT OF THE ACTION

23.1 Right to evaluate the impact of the action

The EIT or the Commission may carry out interim and final evaluations of the impact of the action measured against the objective of the EU programme.

Evaluations may be started during implementation of the action and up to five years after the payment of the balance. The evaluation is considered to start on the date of the formal notification to the coordinator or beneficiaries.

The EIT or the Commission may make these evaluations directly (using its own staff) or indirectly (using external bodies or persons it has authorised to do so).

The coordinator or beneficiaries must provide any information relevant to evaluate the impact of the action, including information in electronic format.

23.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the EIT may apply the measures described in Chapter 6.

SECTION 3 RIGHTS AND OBLIGATIONS RELATED TO BACKGROUND AND RESULTS

SUBSECTION 1 GENERAL

ARTICLE 23a — MANAGEMENT OF INTELLECTUAL PROPERTY

23a.1 Obligation to take measures to implement the Commission Recommendation on the management of intellectual property in knowledge transfer activities

Beneficiaries that are universities or other public research organisations must take measures to implement the principles set out in Points 1 and 2 of the Code of Practice annexed to the Commission Recommendation on the management of intellectual property in knowledge transfer activities¹⁹.

This does not change the obligations set out in Subsections 2 and 3 of this Section.

The beneficiaries must ensure that researchers and third parties involved in the action are aware of them.

23a.2 Consequences of non-compliance

If a beneficiary breaches its obligations under this Article, the EIT may apply any of the measures described in Chapter 6.

SUBSECTION 2 RIGHTS AND OBLIGATIONS RELATED TO BACKGROUND

ARTICLE 24 — AGREEMENT ON BACKGROUND

24.1 Agreement on background

The beneficiaries must identify and agree (in writing) on the background for the action ('**agreement on background**').

'**Background**' means any data, know-how or information — whatever its form or nature (tangible or intangible), including any rights such as intellectual property rights — that:

- (a) is held by the beneficiaries before they acceded to the Agreement, and

¹⁹ Commission Recommendation C(2008) 1329 of 10.4.2008 on the management of intellectual property in knowledge transfer activities and the Code of Practice for universities and other public research institutions attached to this recommendation.

(b) is needed to implement the action or exploit the results.

24.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 43).

Such breaches may also lead to any of the other measures described in Chapter 6.

ARTICLE 25 — ACCESS RIGHTS TO BACKGROUND

25.1 Exercise of access rights — Waiving of access rights — No sub-licensing

To exercise access rights, this must first be requested in writing (**'request for access'**).

'Access rights' means rights to use results or background under the terms and conditions laid down in this Agreement.

Waivers of access rights are not valid unless in writing.

Unless agreed otherwise, access rights do not include the right to sub-license.

25.2 Access rights for other beneficiaries, for implementing their own tasks under the action

The beneficiaries must give each other access — on a royalty-free basis — to background needed to implement their own tasks under the action, unless the beneficiary that holds the background has — before acceding to the Agreement —:

- (a) informed the other beneficiaries that access to its background is subject to legal restrictions or limits, including those imposed by the rights of third parties (including personnel), or
- (b) agreed with the other beneficiaries that access would not be on a royalty-free basis.

25.3 Access rights for other beneficiaries, for exploiting their own results

The beneficiaries must give each other access — under fair and reasonable conditions — to background needed for exploiting their own results, unless the beneficiary that holds the background has — before acceding to the Agreement — informed the other beneficiaries that access to its background is subject to legal restrictions or limits, including those imposed by the rights of third parties (including personnel).

'Fair and reasonable conditions' means appropriate conditions, including possible financial terms or royalty-free conditions, taking into account the specific circumstances of the request for access, for example the actual or potential value of the results or background to which access is requested and/or the scope, duration or other characteristics of the exploitation envisaged.

Requests for access may be made — unless agreed otherwise — up to one year after the period set out in Article 3.

25.4 Access rights for affiliated entities

Unless otherwise agreed in the consortium agreement, access to background must also be given — under fair and reasonable conditions (see above; Article 25.3) and unless it is subject to legal restrictions or limits, including those imposed by the rights of third parties (including personnel) — to affiliated entities²⁰ established in an EU Member State or ‘associated country’²¹, if this is needed to exploit the results generated by the beneficiaries to which they are affiliated.

Unless agreed otherwise (see above; Article 25.1), the affiliated entity concerned must make the request directly to the beneficiary that holds the background.

Requests for access may be made — unless agreed otherwise — up to one year after the period set out in Article 3.

25.5 Access rights for third parties

Not applicable

25.6 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 43).

Such breaches may also lead to any of the other measures described in Chapter 6.

SUBSECTION 3 RIGHTS AND OBLIGATIONS RELATED TO RESULTS

ARTICLE 26 — OWNERSHIP OF RESULTS

²⁰ For the definition, see Article 2.1(2) Rules for Participation Regulation No 1290/2013: ‘**affiliated entity**’ means any legal entity that is:

- under the direct or indirect control of a participant, or
- under the same direct or indirect control as the participant, or
- directly or indirectly controlling a participant.

‘Control’ may take any of the following forms:

- (a) the direct or indirect holding of more than 50% of the nominal value of the issued share capital in the legal entity concerned, or of a majority of the voting rights of the shareholders or associates of that entity;
- (b) the direct or indirect holding, in fact or in law, of decision-making powers in the legal entity concerned.

However, the following relationships between legal entities shall not in themselves constitute controlling relationships:

- (a) the same public investment corporation, institutional investor or venture-capital company has a direct or indirect holding of more than 50% of the nominal value of the issued share capital or a majority of voting rights of the shareholders or associates;
- (b) the legal entities concerned are owned or supervised by the same public body.

²¹ For the definition, see Article 2.1(3) Rules for Participation Regulation No 1290/2013: ‘**associated country**’ means a non EU-country (third country) which is party to an international agreement with the Union, as identified in Article 7 of the H2020 Framework Programme Regulation No 1291/2013. Article 7 sets out the conditions for association of non-EU countries to Horizon 2020.

26.1 Ownership by the beneficiary that generates the results

Results are owned by the beneficiary that generates them.

‘**Results**’ means any (tangible or intangible) output of the action such as data, knowledge or information — whatever its form or nature, whether it can be protected or not — that is generated in the action, as well as any rights attached to it, including intellectual property rights.

26.2 Joint ownership by several beneficiaries

Two or more beneficiaries own results jointly if:

- (a) they have jointly generated them and
- (b) it is not possible to:
 - (i) establish the respective contribution of each beneficiary, or
 - (ii) separate them for the purpose of applying for, obtaining or maintaining their protection (see Article 27).

The joint owners must agree (in writing) on the allocation and terms of exercise of their joint ownership (**‘joint ownership agreement’**), to ensure compliance with their obligations under this Agreement.

Unless otherwise agreed in the joint ownership agreement, each joint owner may grant non-exclusive licences to third parties to exploit jointly-owned results (without any right to sub-license), if the other joint owners are given:

- (a) at least 45 days advance notice and
- (b) fair and reasonable compensation.

Once the results have been generated, joint owners may agree (in writing) to apply another regime than joint ownership (such as, for instance, transfer to a single owner (see Article 30) with access rights for the others).

26.3 Rights of third parties (including personnel)

If third parties (including personnel) may claim rights to the results, the beneficiary concerned must ensure that it complies with its obligations under the Agreement.

If a third party generates results, the beneficiary concerned must obtain all necessary rights (transfer, licences or other) from the third party, in order to be able to respect its obligations as if those results were generated by the beneficiary itself.

If obtaining the rights is impossible, the beneficiary must refrain from using the third party to generate the results.

26.4 EIT ownership, to protect results

26.4.1 The EIT may — with the consent of the beneficiary concerned — assume ownership of results to protect them, if a beneficiary intends — up to four years after the period set out in Article 3 — to disseminate its results without protecting them, except in any of the following cases:

- (a) the lack of protection is because protecting the results is not possible, reasonable or justified (given the circumstances);
- (b) the lack of protection is because there is a lack of potential for commercial or industrial exploitation, or
- (c) the beneficiary intends to transfer the results to another beneficiary or third party established in an EU Member State or associated country, which will protect them.

Before the results are disseminated and unless any of the cases above under Points (a), (b) or (c) applies, the beneficiary must formally notify the EIT and at the same time inform it of any reasons for refusing consent. The beneficiary may refuse consent only if it can show that its legitimate interests would suffer significant harm.

If the EIT decides to assume ownership, it will formally notify the beneficiary concerned within 45 days of receiving notification.

No dissemination relating to these results may take place before the end of this period or, if the EIT takes a positive decision, until it has taken the necessary steps to protect the results.

26.4.2 The EIT may — with the consent of the beneficiary concerned — assume ownership of results to protect them, if a beneficiary intends — up to four years after the period set out in Article 3 — to stop protecting them or not to seek an extension of protection, except in any of the following cases:

- (a) the protection is stopped because of a lack of potential for commercial or industrial exploitation;
- (b) an extension would not be justified given the circumstances.

A beneficiary that intends to stop protecting results or not seek an extension must — unless any of the cases above under Points (a) or (b) applies — formally notify the EIT at least 60 days before the protection lapses or its extension is no longer possible and at the same time inform it of any reasons for refusing consent. The beneficiary may refuse consent only if it can show that its legitimate interests would suffer significant harm.

If the EIT decides to assume ownership, it will formally notify the beneficiary concerned within 45 days of receiving notification.

26.5 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 43).

Such breaches may also lead to the any of the other measures described in Chapter 6.

ARTICLE 27 — PROTECTION OF RESULTS — VISIBILITY OF EU FUNDING

27.1 Obligation to protect the results

Each beneficiary must examine the possibility of protecting its results and must adequately protect them — for an appropriate period and with appropriate territorial coverage — if:

- (a) the results can reasonably be expected to be commercially or industrially exploited and
- (b) protecting them is possible, reasonable and justified (given the circumstances).

When deciding on protection, the beneficiary must consider its own legitimate interests and the legitimate interests (especially commercial) of the other beneficiaries.

27.2 EIT ownership, to protect the results

If a beneficiary intends not to protect its results, to stop protecting them or not seeks an extension of protection, The EIT may — under certain conditions (see Article 26.4) — assume ownership to ensure their (continued) protection.

27.3 Information on EU funding

Applications for protection of results (including patent applications) filed by or on behalf of a beneficiary must — unless the EIT requests or agrees otherwise or unless it is impossible — include the following:

“The activity leading to this application has received funding from the European Institute of Innovation and Technology (EIT), a body of the European Union, under the Horizon 2020 research and innovation programme under grant agreement No [number]”.

27.4 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 43).

Such a breach may also lead to any of the other measures described in Chapter 6.

ARTICLE 28 — EXPLOITATION OF RESULTS

28.1 Obligation to exploit the results

Each beneficiary must — up to four years after the period set out in Article 3 — take measures aiming to ensure ‘**exploitation**’ of its results (either directly or indirectly, in particular through transfer or licensing; see Article 30) by:

- (a) using them in further research activities (outside the action);
- (b) developing, creating or marketing a product or process;
- (c) creating and providing a service, or
- (d) using them in standardisation activities.

This does not change the security obligations in Article 37, which still apply.

28.2 Results that could contribute to European or international standards — Information on EU funding

If results are incorporated in a standard, the beneficiary concerned must — unless the EIT requests or agrees otherwise or unless it is impossible — ask the standardisation body to include the following statement in (information related to) the standard:

“Results incorporated in this standard received funding from the European Institute of Innovation and Technology (EIT), a body of the European Union under the Horizon 2020 research and innovation programme under grant agreement No [Number]”.

28.3 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced in accordance with Article 43.

Such a breach may also lead to any of the other measures described in Chapter 6.

ARTICLE 29 — DISSEMINATION OF RESULTS — OPEN ACCESS — VISIBILITY OF EU FUNDING

29.1 Obligation to disseminate results

Unless it goes against their legitimate interests, each beneficiary must — as soon as possible — ‘disseminate’ its results by disclosing them to the public by appropriate means (other than those resulting from protecting or exploiting the results), including in scientific publications (in any medium).

This does not change the obligation to protect results in Article 27, the confidentiality obligations in Article 36, the security obligations in Article 37 or the obligations to protect personal data in Article 39, all of which still apply.

A beneficiary that intends to disseminate its results must give advance notice to the other beneficiaries of — unless agreed otherwise — at least 45 days, together with sufficient information on the results it will disseminate.

Any other beneficiary may object within — unless agreed otherwise — 30 days of receiving notification, if it can show that its legitimate interests in relation to the results or background would be significantly harmed. In such cases, the dissemination may not take place unless appropriate steps are taken to safeguard these legitimate interests.

If a beneficiary intends not to protect its results, it may — under certain conditions (see Article 26.4.1) — need to formally notify the EIT before dissemination takes place.

29.2 Open access to scientific publications

Each beneficiary must ensure open access (free of charge, online access for any user) to all peer-reviewed scientific publications relating to its results.

In particular, it must:

- (a) as soon as possible and at the latest on publication, deposit a machine-readable electronic copy of the published version or final peer-reviewed manuscript accepted for publication in a repository for scientific publications;

Moreover, the beneficiary must aim to deposit at the same time the research data needed to validate the results presented in the deposited scientific publications.

- (b) ensure open access to the deposited publication — via the repository — at the latest:
 - (i) on publication, if an electronic version is available for free via the publisher, or
 - (ii) within six months of publication (twelve months for publications in the social sciences and humanities) in any other case.
- (c) ensure open access — via the repository — to the bibliographic metadata that identify the deposited publication.

The bibliographic metadata must be in a standard format and must include all of the following:

- the terms "*European Union (EU)*" and "*Horizon 2020*";
- the name of the action, acronym and grant number;
- the publication date, and length of embargo period if applicable, and
- a persistent identifier.

29.3 Open access to research data

Not applicable

29.4 Information on EU funding — Obligation and right to use the EIT KIC logo and the EU emblem

Unless the EIT requests or agrees otherwise or unless it is impossible, any dissemination of results (in any form, including electronic) must:

- (a) display the EIT KIC logo as adopted by the EIT;

(b) display the EU emblem and

(c) include the following text:

“This activity has received funding from the European Institute of Innovation and Technology (EIT), a body of the European Union under the Horizon 2020 research and innovation programme under grant agreement No [Number]”.

When displayed together with another logo, the EU emblem must have appropriate prominence.

For the purposes of their obligations under this Article, the beneficiaries may use the EIT KIC logo and the EU emblem without first obtaining approval from the EIT.

This does not however give them the right to exclusive use.

Moreover, they may not appropriate the EIT KIC logo and the EU emblem or any similar trademark or logo, either by registration or by any other means.

29.5 Disclaimer excluding EIT’s responsibility

Any dissemination of results must indicate that it reflects only the author's view and that the EIT is not responsible for any use that may be made of the information it contains.

29.6 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 43).

Such a breach may also lead to any of the other measures described in Chapter 6.

ARTICLE 30 — TRANSFER AND LICENSING OF RESULTS

30.1 Transfer of ownership

Each beneficiary may transfer ownership of its results.

It must however ensure that its obligations under Articles 26.2, 26.4, 27, 28, 29, 30 and 31 also apply to the new owner and that this owner has the obligation to pass them on in any subsequent transfer.

This does not change the security obligations in Article 37, which still apply.

Unless agreed otherwise (in writing) for specifically-identified third parties or unless impossible under applicable EU and national laws on mergers and acquisitions, a beneficiary that intends to transfer ownership of results must give at least 45 days advance notice (or less if agreed in writing) to the other beneficiaries that still have (or still may request) access rights to the results. This notification must include sufficient information on the new owner to enable any beneficiary concerned to assess the effects on its access rights.

Unless agreed otherwise (in writing) for specifically-identified third parties, any other beneficiary may object within 30 days of receiving notification (or less if agreed in writing), if it can show that the transfer would adversely affect its access rights. In this case, the transfer may not take place until agreement has been reached between the beneficiaries concerned.

30.2 Granting licences

Each beneficiary may grant licences to its results (or otherwise give the right to exploit them), if:

- (a) this does not impede the access rights under Article 31 and
- (b) not applicable.

In addition to Points (a) and (b), exclusive licences for results may be granted only if all the other beneficiaries concerned have waived their access rights (see Article 31.1).

This does not change the dissemination obligations in Article 29 or security obligations in Article 37, which still apply.

30.3 EIT right to object to transfers or licensing

The EIT may — up to four years after the period set out in Article 3 — object to a transfer of ownership or the exclusive licensing of results, if:

- (a) it is to a third party established in a non-EU country not associated with Horizon 2020 and
- (b) the EIT considers that the transfer or licence is not in line with EU interests regarding competitiveness or is inconsistent with ethical principles or security considerations.

A beneficiary that intends to transfer ownership or grant an exclusive licence must formally notify the EIT before the intended transfer or licensing takes place and:

- identify the specific results concerned;
- describe in detail the new owner or licensee and the planned or potential exploitation of the results, and
- include a reasoned assessment of the likely impact of the transfer or licence on EU competitiveness and its consistency with ethical principles and security considerations.

The EIT may request additional information.

If the EIT decides to object to a transfer or exclusive licence, it must formally notify the beneficiary concerned within 60 days of receiving notification (or any additional information it has requested).

No transfer or licensing may take place in the following cases:

- pending the EIT decision, within the period set out above;

- if the EIT objects;
- until the conditions are complied with, if the EIT objection comes with conditions.

30.4 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 43).

Such a breach may also lead to any of the other measures described in Chapter 6.

ARTICLE 31 — ACCESS RIGHTS TO RESULTS

31.1 Exercise of access rights — Waiving of access rights — No sub-licensing

The conditions set out in Article 25.1 apply.

The obligations set out in this Article do not change the security obligations in Article 37, which still apply.

31.2 Access rights for other beneficiaries, for implementing their own tasks under the action

The beneficiaries must give each other access — on a royalty-free basis — to results needed for implementing their own tasks under the action.

31.3 Access rights for other beneficiaries, for exploiting their own results

The beneficiaries must give each other — under fair and reasonable conditions (see Article 25.3) — access to results needed for exploiting their own results.

Requests for access may be made — unless agreed otherwise — up to one year after the period set out in Article 3.

31.4 Access rights of affiliated entities

Unless agreed otherwise in the consortium agreement, access to results must also be given — under fair and reasonable conditions (Article 25.3) — to affiliated entities established in an EU Member State or associated country, if this is needed for those entities to exploit the results generated by the beneficiaries to which they are affiliated.

Unless agreed otherwise (see above; Article 31.1), the affiliated entity concerned must make any such request directly to the beneficiary that owns the results.

Requests for access may be made — unless agreed otherwise — up to one year after the period set out in Article 3.

31.5 Access rights for the EU institutions, bodies, offices or agencies and EU Member States

The beneficiaries must give access to their results — on a royalty-free basis — to EU institutions, bodies, offices or agencies, for developing, implementing or monitoring EU policies or programmes.

Such access rights are limited to non-commercial and non-competitive use.

This does not change the right to use any material, document or information received from the beneficiaries for communication and publicising activities (see Article 38.2).

31.6 Access rights for third parties

Not applicable

31.7 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 43).

Such breaches may also lead to any of the other measures described in Chapter 6.

SECTION 4 OTHER RIGHTS AND OBLIGATIONS

ARTICLE 32 — RECRUITMENT AND WORKING CONDITIONS FOR RESEARCHERS

32.1 Obligation to take measures to implement the European Charter for Researchers and Code of Conduct for the Recruitment of Researchers

The beneficiaries must take all measures to implement the principles set out in the Commission Recommendation on the European Charter for Researchers and the Code of Conduct for the Recruitment of Researchers²², in particular regarding:

- working conditions;
- transparent recruitment processes based on merit, and
- career development.

The beneficiaries must ensure that researchers and third parties involved in the action are aware of them.

32.2 Consequences of non-compliance

If a beneficiary breaches its obligations under this Article, the EIT may apply any of the measures described in Chapter 6.

²² Commission Recommendation 2005/251/EC of 11 March 2005 on the European Charter for Researchers and on a Code of Conduct for the Recruitment of Researchers (OJ L 75, 22.3.2005, p. 67).

ARTICLE 33 — GENDER EQUALITY

33.1 Obligation to aim for gender equality

The beneficiaries must take all measures to promote equal opportunities between men and women in the implementation of the action. They must aim, to the extent possible, for a gender balance at all levels of personnel assigned to the action, including at supervisory and managerial level.

33.2 Consequences of non-compliance

If a beneficiary breaches its obligations under this Article, the EIT may apply any of the measures described in Chapter 6.

ARTICLE 34 — ETHICS AND RESEARCH INTEGRITY

34.1 Obligation to comply with ethical and research integrity principles

The beneficiaries must carry out the action in compliance with:

- (a) ethical principles (including the highest standards of research integrity and
- (b) applicable international, EU and national law.

Funding will not be granted for activities carried out outside the EU if they are prohibited in all Member States or for activities which destroy human embryos (for example, for obtaining stem cells).

The beneficiaries must ensure that the activities under the action have an exclusive focus on civil applications.

The beneficiaries must ensure that the activities under the action do not:

- (a) aim at human cloning for reproductive purposes;
- (b) intend to modify the genetic heritage of human beings which could make such changes heritable (with the exception of research relating to cancer treatment of the gonads, which may be financed), or
- (c) intend to create human embryos solely for the purpose of research or for the purpose of stem cell procurement, including by means of somatic cell nuclear transfer.

In addition, the beneficiaries must respect the fundamental principle of research integrity - as set out in the European Code of Conduct for Research Integrity²³.

This implies compliance with the following fundamental principles:

²³ European Code of Conduct for Research Integrity of ALLEA (All European Academies):
http://ec.europa.eu/research/participants/data/ref/h2020/other/hi/h2020-ethics_code-of-conduct_en.pdf

- **reliability** in ensuring the quality of research reflected in the design, the methodology, the analysis and the use of resources;
- **honesty** in developing, undertaking, reviewing, reporting and communicating research in a transparent, fair and unbiased way;
- **respect** for colleagues, research participants, society, ecosystems, cultural heritage and the environment;
- **accountability** for the research from idea to publication, for its management and organisation, for training, supervision and mentoring, and for its wider impacts

and means that beneficiaries must ensure that persons carrying out research tasks follow the good research practices and refrain from the research integrity violations described in this Code.

This does not change the other obligations under this Agreement or obligations under applicable international, EU or national law, all of which still apply.

34.2 Activities raising ethical issues

Activities raising ethical issues must comply with the '**ethics requirements**' set out in Annex 1.

Before the beginning of an activity raising an ethical issue, each beneficiary must have obtained:

- (a) any ethics committee opinion required under national law and
- (b) any notification or authorisation for activities raising ethical issues required under national and/or European law

needed for implementing the action tasks in question.

The documents must be kept on file and be submitted upon request by the coordinator to the EIT (see Article 52). If they are not in English, they must be submitted together with an English summary, which shows that the action tasks in question are covered, and includes the conclusions of the committee or authority concerned (if available).

34.3 Activities involving human embryos or human embryonic stem cells

Activities involving research on human embryos or human embryonic stem cells may be carried out, in addition to Article 34.1, only if:

- they are set out in Annex 1 or
- the coordinator has obtained explicit approval (in writing) from the EIT (see Article 52).

34.4 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 43) and the Agreement or participation of the beneficiary may be terminated (see Article 50).

Such breaches may also lead to any of the other measures described in Chapter 6.

ARTICLE 35 — CONFLICT OF INTERESTS

35.1 Obligation to avoid a conflict of interests

The beneficiaries must take all measures to prevent any situation where the impartial and objective implementation of the action is compromised for reasons involving economic interest, political or national affinity, family or emotional ties or any other shared interest ('**conflict of interests**').

They must formally notify to the EIT without delay any situation constituting or likely to lead to a conflict of interests and immediately take all the necessary steps to rectify this situation.

The EIT may verify that the measures taken are appropriate and may require additional measures to be taken by a specified deadline.

35.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 43) and the Agreement or participation of the beneficiary may be terminated (see Article 50).

Such breaches may also lead to any of the other measures described in Chapter 6.

ARTICLE 36 — CONFIDENTIALITY

36.1 General obligation to maintain confidentiality

During implementation of the action and for four years after the period set out in Article 3, the parties must keep confidential any data, documents or other material (in any form) that is identified as confidential at the time it is disclosed ('**confidential information**').

If a beneficiary requests, the EIT may agree to keep such information confidential for an additional period beyond the initial four years.

If information has been identified as confidential only orally, it will be considered to be confidential only if this is confirmed in writing within 15 days of the oral disclosure.

Unless otherwise agreed between the parties, they may use confidential information only to implement the Agreement.

The beneficiaries may disclose confidential information to their personnel or third parties involved in the action only if they:

- (a) need to know to implement the Agreement and
- (b) are bound by an obligation of confidentiality.

This does not change the security obligations in Article 37, which still apply.

The EIT may disclose confidential information to its staff, other EU institutions and bodies. It may disclose confidential information to third parties, if:

- (a) this is necessary to implement the Agreement or safeguard the EU's financial interests and
- (b) the recipients of the information are bound by an obligation of confidentiality.

Under the conditions set out in Article 4 of the Rules for Participation Regulation No 1290/2013²⁴, the Commission must moreover make available information on the results to other EU institutions, bodies, offices or agencies as well as Member States or associated countries.

The confidentiality obligations no longer apply if:

- (a) the disclosing party agrees to release the other party;
- (b) the information was already known by the recipient or is given to him without obligation of confidentiality by a third party that was not bound by any obligation of confidentiality;
- (c) the recipient proves that the information was developed without the use of confidential information;
- (d) the information becomes generally and publicly available, without breaching any confidentiality obligation, or
- (e) the disclosure of the information is required by EU or national law.

36.2 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 43).

Such breaches may also lead to any of the other measures described in Chapter 6.

ARTICLE 37 — SECURITY-RELATED OBLIGATIONS

37.1 Results with a security recommendation

Not applicable

37.2 Classified results

²⁴ Regulation (EU) No 1290/2013 of the European Parliament and of the Council of 11 December 2013 laying down the rules for the participation and dissemination in "Horizon 2020 – the Framework Programme for Research and Innovation (2014-2020)" (OJ L 347, 20.12.2013 p.81).

Not applicable

37.3 Activities involving dual-use goods or dangerous materials and substances

Not applicable

37.4 Consequences of non-compliance

Not applicable

ARTICLE 38 — PROMOTING THE ACTION — VISIBILITY OF EU FUNDING

38.1 Communication activities by beneficiaries

38.1.1 Obligation to promote the action and its results

The beneficiaries must promote the action and its results, by providing targeted information to multiple audiences (including the media and the public) in a strategic and effective manner.

This does not change the confidentiality obligations in Article 36 which still apply.

Before engaging in a communication activity expected to have a major media impact, the beneficiaries must inform the EIT (see Article 52).

38.1.2 Information on EU funding — Obligation and right to use the EIT KIC logo and the EU emblem

Unless the EIT requests or agrees otherwise or unless it is impossible, any communication activity related to the action (including in electronic form, via social media, etc.) and any infrastructure, equipment and major results funded by the grant must:

- (a) display the EIT KIC logo as adopted by the EIT;
- (b) display the EU emblem and
- (c) follow the brand guidelines outlined in the EIT Community Brand Book as adopted by the EIT; and
- (d) include the following text:

For communication activities: ‘This activity has received funding from the European Institute of Innovation and Technology (EIT), a body of the European Union, under the H2020 research and innovation programme under grant agreement No [Number].’

For infrastructure, equipment and major results: “This [infrastructure][equipment][insert type of result] is part of an activity that has received funding from the European Institute of Innovation and Technology (EIT), a body of the European Union, under the H2020 research and innovation programme under grant agreement No [Number]”.

When displayed together with another logo, the EIT KIC logo and the EU emblem must have appropriate prominence.

For the purposes of their obligations under this Article, the beneficiaries may use the EIT KIC logo and the EU emblem without first obtaining approval from the EIT.

This does not, however, give them the right to exclusive use.

Moreover, they may not appropriate the EIT KIC logo and the EU emblem or any similar trademark or logo, either by registration or by any other means.

38.1.3 Disclaimer excluding EIT and Commission responsibility

Any communication activity related to the action must indicate that it reflects only the author's view and that the EIT and the Commission are not responsible for any use that may be made of the information it contains.

38.2 Communication activities by the EIT and the Commission

38.2.1 Right to use beneficiaries' materials, documents or information

The EIT and the Commission may use, for its communication and publicising activities, information relating to the action, documents notably summaries for publication and public deliverables as well as any other material, such as pictures or audio-visual material that it receives from any beneficiary (including in electronic form).

This does not change the confidentiality obligations in Article 36 which still apply.

If the EIT or the Commission's use of these materials, documents or information would risk compromising legitimate interests, the beneficiary concerned may request the EIT or the Commission not to use it (see Article 52).

The right to use a beneficiary's materials, documents and information includes:

- (a) **use for its own purposes** (in particular, making them available to persons working for the EIT, the Commission or any other EU institution, body, office or agency or body or institutions in EU Member States; and copying or reproducing them in whole or in part, in unlimited numbers);
- (b) **distribution to the public** (in particular, publication as hard copies and in electronic or digital format, publication on the internet, as a downloadable or non-downloadable file, broadcasting by any channel, public display or presentation, communicating through press information services, or inclusion in widely accessible databases or indexes);
- (c) **editing or redrafting** for communication and publicising activities (including shortening, summarising, inserting other elements (such as meta-data, legends, other graphic, visual, audio or text elements), extracting parts (e.g. audio or video files), dividing into parts, use in a compilation);

- (d) **translation**;
- (e) giving **access in response to individual requests** under Regulation No 1049/2001²⁵, without the right to reproduce or exploit;
- (f) **storage** in paper, electronic or other form;
- (g) **archiving**, in line with applicable document-management rules, and
- (h) the right to authorise **third parties** to act on its behalf or sub-license the modes of use set out in Points (b), (c), (d) and (f) to third parties if needed for the communication and publicising activities of the EIT.

If the right of use is subject to rights of a third party (including personnel of the beneficiary), the beneficiary must ensure that it complies with its obligations under this Agreement (in particular, by obtaining the necessary approval from the third parties concerned).

Where applicable (and if provided by the beneficiaries), the EIT or the Commission will insert the following information:

“© – [year] – [name of the copyright owner]. All rights reserved. Licensed to the European Institute of Innovation and Technology (EIT) and the European Union (EU) under conditions.”

38.3 Consequences of non-compliance

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 43).

Such breaches may also lead to any of the other measures described in Chapter 6.

ARTICLE 39 — PROCESSING OF PERSONAL DATA

39.1 Processing of personal data by the EIT and the Commission

Any personal data under the Agreement will be processed by the EIT or the Commission under Regulation No 45/2001²⁶ and according to the ‘notifications of the processing operations’ to the Data Protection Officer (DPO) of the EIT or the Commission (publicly accessible in the DPO register).

Such data will be processed by the ‘**data controller**’ of the EIT or the Commission for the purposes of implementing, managing and monitoring the Agreement or protecting the financial interests of the EU or Euratom (including checks, reviews, audits and investigations; see Article 22).

²⁵ Regulation (EC) No 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents, OJ L 145, 31.5.2001, p. 43.

²⁶ Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data (OJ L 8, 12.01.2001, p. 1).

The persons whose personal data are processed have the right to access and correct their own personal data. For this purpose, they must send any queries about the processing of their personal data to the data controller, via the contact point indicated in the privacy statement(s) that are published on the EIT and Commission websites.

They also have the right to have recourse at any time to the European Data Protection Supervisor (EDPS).

39.2 Processing of personal data by the beneficiaries

The beneficiaries must process personal data under the Agreement in compliance with applicable EU and national law on data protection (including authorisations or notification requirements).

The beneficiaries may grant their personnel access only to data that is strictly necessary for implementing, managing and monitoring the Agreement.

The beneficiaries must inform the personnel whose personal data are collected and processed by the EIT or the Commission. For this purpose, they must provide them with the privacy statement(s) (see above), before transmitting their data to the EIT or the Commission.

39.3 Consequences of non-compliance

If a beneficiary breaches any of its obligations under Article 39.2, the EIT may apply any of the measures described in Chapter 6.

ARTICLE 40 — ASSIGNMENTS OF CLAIMS FOR PAYMENT AGAINST THE EIT

The beneficiaries may not assign any of their claims for payment against the EIT to any third party, except if approved by the EIT on the basis of a reasoned, written request by the coordinator (on behalf of the beneficiary concerned).

If the EIT has not accepted the assignment or the terms of it are not observed, the assignment will have no effect on it.

In no circumstances will an assignment release the beneficiaries from their obligations towards the EIT.

CHAPTER 5 DIVISION OF BENEFICIARIES' ROLES AND RESPONSIBILITIES

ARTICLE 41 — DIVISION OF BENEFICIARIES' ROLES AND RESPONSIBILITIES

41.1 Roles and responsibilities towards the EIT

The beneficiaries have full responsibility for implementing the action and complying with the Agreement.

The beneficiaries are jointly and severally liable for the **technical implementation** of the action as described in Annex 1. If a beneficiary fails to implement its part of the action, the other beneficiaries become responsible for implementing this part (without being entitled to any additional EU funding for doing so), unless the EIT expressly relieves them of this obligation.

The **financial responsibility** of each beneficiary is governed by Articles 44, 45 and 46.

41.2 Internal division of roles and responsibilities

The internal roles and responsibilities of the beneficiaries are divided as follows:

- (a) Each **beneficiary** must:
 - (i) Not applicable;
 - (ii) inform the coordinator immediately of any events or circumstances likely to affect significantly or delay the implementation of the action (see Article 17);
 - (iii) submit to the coordinator in good time:
 - individual financial statements for itself and its linked third parties and, if required, certificates on the financial statements (see Article 20);
 - the data needed to draw up the start-up report (see Article 20);
 - ethics committee opinions and notifications or authorisations for activities raising ethical issues (see Article 34);
 - any other documents or information required by the EIT under the Agreement, unless the Agreement requires the beneficiary to submit this information directly to the EIT.
- (b) The **coordinator** must:
 - (i) monitor that the action is implemented properly (see Article 7);
 - (ii) act as the intermediary for all communications between the beneficiaries and the EIT (in particular, providing the EIT with the information described in Article 17), unless the Agreement specifies otherwise;
 - (iii) request and review any documents or information required by the EIT and verify their completeness and correctness before passing them on to the EIT;
 - (iv) submit the deliverables and reports to the EIT (see Articles 19 and 20);
 - (v) ensure that all payments are made to the other beneficiaries without unjustified delay (see Article 21);

- (vi) inform the EIT of the amounts paid to each beneficiary, when required under the Agreement (see Articles 44 and 50) or requested by the EIT.

The coordinator may not delegate or subcontract the above-mentioned tasks to any other beneficiary or third party (including linked third parties).

41.3 Internal arrangements between beneficiaries — Consortium agreement

Not applicable

41.4 Relationship with complementary beneficiaries — Collaboration agreement

Not applicable

41.5 Relationship with partners of a joint action — Coordination agreement

Not applicable

CHAPTER 6 REJECTION OF COSTS — REDUCTION OF THE GRANT — RECOVERY — SANCTIONS — DAMAGES — SUSPENSION — TERMINATION — FORCE MAJEURE

SECTION 1 REJECTION OF COSTS — REDUCTION OF THE GRANT — RECOVERY — SANCTIONS

ARTICLE 42 — REJECTION OF INELIGIBLE COSTS

42.1 Conditions

The EIT will — after **termination of the participation of a beneficiary, at the payment of the balance or afterwards** — reject any costs which are ineligible (see Article 6), in particular following checks, reviews, audits or investigations (see Article 22).

The rejection may also be based on the **extension of findings from other grants to this grant** (see Article 22.5.2).

42.2 Ineligible costs to be rejected — Calculation — Procedure

Ineligible costs will be rejected in full.

If the rejection of costs does not lead to recovery (see Article 44), the EIT will formally notify the coordinator or beneficiary concerned of the rejection of costs, the amounts and the reasons why (if applicable, together with the notification of amounts due; see Article 21.5). The coordinator or beneficiary concerned may — within 30 days of receiving notification — formally notify the EIT of its disagreement and the reasons why.

If the rejection of costs leads to a **recovery of undue amounts**, the EIT will follow the contradictory procedure with 'pre-information letter' set out in Article 44.

42.3 Effects

If the EIT rejects costs at the time of **the payment of the balance**, it will deduct them from the total eligible costs declared, for the action, in the final summary financial statement (see Articles 20.3 and 20.4). It will then calculate the payment of the balance as set out in Articles 21.3 or 21.4.

If the EIT rejects costs after termination of the participation of a beneficiary, it will deduct them from the costs declared by the beneficiary in the termination report and include the rejection in the calculation after termination (see Article 50.2 and 50.3).

If the EIT rejects costs **after the payment of the balance**, it will deduct the amount rejected from the total eligible costs declared, by the beneficiary, in the final summary financial statement. It will then calculate the revised final grant amount as set out in Article 5.4.

ARTICLE 43 — REDUCTION OF THE GRANT

43.1 Conditions

The EIT may — **after termination of the participation of a beneficiary, at the payment of the balance or afterwards** — reduce the grant amount (see Article 5.1), if:

- (a) a beneficiary (or a natural person who has the power to represent or take decisions on its behalf) has committed:
 - (i) substantial errors, irregularities or fraud or
 - (ii) serious breach of obligations under the Agreement or during the award procedure (including improper implementation of the action, submission of false information, failure to provide required information, breach of ethical principles) or
- (b) a beneficiary (or a natural person who has the power to represent or take decision on its behalf) has committed – in other EU or Euratom grants awarded to it under similar conditions – systemic or recurrent errors, irregularities, fraud or serious breach of obligations that have a material impact on this grant (**extension of findings from other grants to this grant**; see Article 22.5.2).

43.2 Amount to be reduced — Calculation — Procedure

The amount of the reduction will be proportionate to the seriousness of the errors, irregularities or fraud or breach of obligations.

Before reduction of the grant, the EIT will formally notify a '**pre-information letter**' to the coordinator or beneficiary concerned:

- informing it of its intention to reduce the grant, the amount it intends to reduce and the reasons why and
- inviting it to submit observations within 30 days of receiving notification.

If the EIT does not receive any observations or decides to pursue reduction despite the observations it has received, it will formally notify **confirmation** of the reduction (if applicable, together with the notification of amounts due; see Article 21).

43.3 Effects

If the EIT reduces the grant **after termination of the participation of a beneficiary**, it will calculate the reduced grant amount for that beneficiary and then determine the amount due to that beneficiary (see Article 50.2 and 50.3).

If the EIT reduces the grant at **the payment of the balance**, it will calculate the reduced grant amount for the action and then determine the amount due as payment of the balance (see Articles 5.3.4 and 21.4).

If the EIT reduces the grant **after the payment of the balance**, it will calculate the revised final grant amount for the beneficiary concerned (see Article 5.4). If the revised final grant amount for the beneficiary concerned is lower than its share of the final grant amount, the EIT will recover the difference (see Article 44).

ARTICLE 44 — RECOVERY OF UNDUE AMOUNTS

44.1 Amount to be recovered — Calculation — Procedure

The EIT will — after **termination of the participation of a beneficiary, at the payment of the balance or afterwards** — claim back any amount that was paid but is not due under the Agreement.

Each beneficiary's financial responsibility in case of recovery is limited to its own debt (including undue amounts paid by the EIT for costs declared by its linked third parties), except for the amount retained for the Guarantee Fund (see Article 21.4).

44.1.1 Recovery after termination of a beneficiary's participation

If recovery takes place after termination of a beneficiary's participation (including the coordinator), the EIT will claim back the undue amount from the beneficiary concerned, by formally notifying it a debit note (see Article 50.2 and 50.3). This note will specify the amount to be recovered, the terms and the date for payment.

If payment is not made by the date specified in the debit note, the EIT will **recover** the amount:

- (a) by '**offsetting**' it — without the beneficiary's consent — against any amounts owed to the beneficiary concerned by the EIT, the Commission or an executive agency (from the EU or Euratom budget).

In exceptional circumstances, to safeguard the EU's financial interests, the EIT may offset before the payment date specified in the debit note;

- (b) Not applicable;

(c) by **taking legal action** (see Article 57).

If payment is not made by the date specified in the debit note, the amount to be recovered (see above) will be increased by **late-payment interest** at the rate set out in Article 21.11, from the day following the payment date in the debit note, up to and including the date the EIT receives full payment of the amount.

Partial payments will be first credited against expenses, charges and late-payment interest and then against the principal.

Bank charges incurred in the recovery process will be borne by the beneficiary, unless Directive 2007/64/EC²⁷ applies.

44.1.2 Recovery at payment of the balance

If the payment of the balance takes the form of a recovery (see Article 21.4), the EIT will formally notify a '**pre-information letter**' to the coordinator:

- informing it of its intention to recover, the amount due as the balance and the reasons why;
- specifying that it intends to deduct the amount to be recovered from the amount retained for the Guarantee Fund;
- requesting the coordinator to submit a report on the distribution of payments to the beneficiaries within 30 days of receiving notification, and
- inviting the coordinator to submit observations within 30 days of receiving notification.

If no observations are submitted or the EIT decides to pursue recovery despite the observations it has received, it will **confirm recovery** (together with the notification of amounts due; see Article 21.5) and:

- pay the difference between the amount to be recovered and the amount retained for the Guarantee Fund, **if the difference is positive** or
- formally notify to the coordinator a **debit note** for the difference between the amount to be recovered and the amount retained for the Guarantee Fund, **if the difference is negative**. This note will also specify the terms and the date for payment.

If the coordinator does not repay the EIT by the date in the debit note and has not submitted the report on the distribution of payments: the EIT will **recover** the amount set out in the debit note from the coordinator (see below).

If the coordinator does not repay the EIT by the date in the debit note, but has submitted the report on the distribution of payments: the EIT will:

²⁷ Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC (OJ L 319, 05.12.2007, p. 1).

- (a) identify the beneficiaries for which the amount calculated as follows is negative:

{{{beneficiary's costs declared in the final summary financial statement and approved by the EIT multiplied by the reimbursement rate set out in Article 5.2 for the beneficiary concerned

[plus

its linked third parties' costs declared in the final summary financial statement and approved by the EIT multiplied by the reimbursement rate set out in Article 5.2 for each linked third party concerned}}

divided by

the EU contribution for the action calculated according to Article 5.3.1}

multiplied by

the final grant amount (see Article 5.3)),

minus

{pre-financing received by the beneficiary}}.

- (b) formally notify to each beneficiary identified according to point (a) a **debit note** specifying the terms and date for payment. The amount of the debit note is calculated as follows:

{{amount calculated according to point (a) for the beneficiary concerned

divided by

the sum of the amounts calculated according to point (a) for all the beneficiaries identified according to point (a)}

multiplied by

the amount set out in the debit note formally notified to the coordinator}.

If payment is not made by the date specified in the debit note, the EIT will **recover** the amount:

- (a) by **offsetting** it — without the beneficiary's consent — against any amounts owed to the beneficiary concerned by the EIT, the Commission or an executive agency (from the EU or Euratom budget).

In exceptional circumstances, to safeguard the EU's financial interests, the EIT may offset before the payment date specified in the debit note;

- (b) by **drawing on the Guarantee Fund**. The EIT will formally notify the beneficiary concerned the debit note on behalf of the Guarantee Fund and recover the amount:

- (i) not applicable;
- (ii) by **taking legal action** (see Article 57).

If payment is not made by the date in the debit note, the amount to be recovered (see above) will be increased by **late-payment interest** at the rate set out in Article 21.11, from the day following the payment date in the debit note, up to and including the date the EIT receives full payment of the amount.

Partial payments will be first credited against expenses, charges and late-payment interest and then against the principal.

Bank charges incurred in the recovery process will be borne by the beneficiary, unless Directive 2007/64/EC applies.

44.1.3 Recovery of amounts after payment of the balance

If, for a beneficiary, the revised final grant amount (see Article 5.4) is lower than its share of the final grant amount, it must repay the difference to the EIT.

The beneficiary's share of the final grant amount is calculated as follows:

{{beneficiary's costs declared in the final summary financial statement and approved by the EIT multiplied by the reimbursement rate set out in Article 5.2 for the beneficiary concerned

[plus

its linked third parties' costs declared in the final summary financial statement and approved by the EIT multiplied by the reimbursement rate set out in Article 5.2 for each linked third party concerned}}

divided by

the EU contribution for the action calculated according to Article 5.3.1}

multiplied by

the final grant amount (see Article 5.3)}.

If the coordinator has not distributed amounts received (see Article 21.7), the EIT will also recover these amounts.

The EIT will formally notify a **pre-information letter** to the beneficiary concerned:

- informing it of its intention to recover, the due amount and the reasons why and
- inviting it to submit observations within 30 days of receiving notification.

If no observations are submitted or the EIT decides to pursue recovery despite the observations it has received, it will **confirm** the amount to be recovered and formally notify to the beneficiary concerned a **debit note**. This note will also specify the terms and the date for payment.

If payment is not made by the date specified in the debit note, the EIT will **recover** the amount:

- (a) by **offsetting** it — without the beneficiary's consent — against any amounts owed to the beneficiary concerned by the EIT, the Commission or an executive agency (from the EU or Euratom budget).

In exceptional circumstances, to safeguard the EU's financial interests, the EIT may offset before the payment date specified in the debit note;

- (b) by **drawing on the Guarantee Fund**. The EIT will formally notify the beneficiary concerned the debit note on behalf of the Guarantee Fund and recover the amount:

- (i) not applicable;
- (ii) by **taking legal action** (see Article 57).

If payment is not made by the date in the debit note, the amount to be recovered (see above) will be increased by **late-payment interest** at the rate set out in Article 21.11, from the day following the date for payment in the debit note, up to and including the date the EIT receives full payment of the amount.

Partial payments will be first credited against expenses, charges and late-payment interest and then against the principal.

Bank charges incurred in the recovery process will be borne by the beneficiary, unless Directive 2007/64/EC applies.

ARTICLE 45 — ADMINISTRATIVE SANCTIONS

In addition to contractual measures, the EIT or the Commission may also adopt administrative sanctions under Articles 106 and 131(4) of the Financial Regulation No 966/2012 (i.e. exclusion from future procurement contracts, grants and expert contracts and/or financial penalties).

SECTION 2 LIABILITY FOR DAMAGES

ARTICLE 46 — LIABILITY FOR DAMAGES

46.1 Liability of the EIT

The EIT cannot be held liable for any damage caused to the beneficiaries or to third parties as a consequence of implementing the Agreement, including for gross negligence.

The EIT cannot be held liable for any damage caused by any of the beneficiaries or third parties involved in the action, as a consequence of implementing the Agreement.

46.2 Liability of the beneficiaries

Except in case of force majeure (see Article 51), the beneficiaries must compensate the EIT for any damage it sustains as a result of the implementation of the action or because the action was not implemented in full compliance with the Agreement.

SECTION 3 SUSPENSION AND TERMINATION

ARTICLE 47 — SUSPENSION OF PAYMENT DEADLINE

47.1 Conditions

The EIT may — at any moment — suspend the payment deadline (see Article 21.2 to 21.4) if a request for payment (see Article 20) cannot be approved because:

- (a) it does not comply with the provisions of the Agreement (see Article 20);
- (b) the technical reports or financial reports have not been submitted or are not complete or additional information is needed, or
- (c) there is doubt about the eligibility of the costs declared in the financial statements and additional checks, reviews, audits or investigations are necessary.

47.2 Procedure

The EIT will formally notify the coordinator of the suspension and the reasons why.

The suspension will **take effect** the day notification is sent by the EIT (see Article 52).

If the conditions for suspending the payment deadline are no longer met, the suspension will be **lifted** — and the remaining period will resume.

If the suspension exceeds two months, the coordinator may request the EIT if the suspension will continue.

If the payment deadline has been suspended due to the non-compliance of the technical or financial reports (see Article 20) and the revised report or statement is not submitted or was submitted but is also rejected, the EIT may also terminate the Agreement or the participation of the beneficiary (see Article 50.3.1(I)).

ARTICLE 48 — SUSPENSION OF PAYMENTS

48.1 Conditions

The EIT may — at any moment — suspend payments, in whole or in part, and for one or more beneficiaries, if:

- (a) a beneficiary (or a natural person who has the power to represent or take decision on its behalf) has committed or is suspected of having committed:
- (i) substantial errors, irregularities or fraud or
 - (ii) serious breach of obligations under this Agreement or during the award procedure (including improper implementation of the action, submission of false information, failure to provide required information, breach of ethical principles) or
- (b) a beneficiary (or a natural person who has the power to represent or take decision on its behalf) has committed — in other EU or Euratom grants awarded to it under similar conditions — systemic or recurrent errors, irregularities, fraud or serious breach of obligations that have a material impact on this grant (**extension of findings from other grants to this grant**; see Article 22.5.2).

If payments are suspended for one or more beneficiaries, the EIT will make partial payment(s) for the part(s) not suspended. If suspension concerns the payment of the balance, — once suspension is lifted — the payment (or the recovery) of the amount(s) concerned will be considered the payment of the balance that closes the action.

48.2 Procedure

Before suspending payments, the EIT will formally notify the coordinator or beneficiary concerned:

- informing it of its intention to suspend payments and the reasons why and
- inviting it to submit observations within 30 days of receiving notification.

If the EIT does not receive observations or decides to pursue the procedure despite the observations it has received, it will formally notify **confirmation** of the suspension. Otherwise, it will formally notify that the suspension procedure is not continued.

The suspension will **take effect** the day the confirmation notification is sent by the EIT.

If the conditions for resuming payments are met, the suspension will be **lifted**. The EIT will formally notify the coordinator or beneficiary concerned.

The beneficiaries may suspend implementation of the action (see Article 49.1) or terminate the Agreement or the participation of the beneficiary concerned (see Article 50.1 and 50.2).

ARTICLE 49 — SUSPENSION OF THE ACTION IMPLEMENTATION

49.1 Suspension of the action implementation, by the beneficiaries

49.1.1 Conditions

The beneficiaries may suspend implementation of the action or any part of it, if exceptional circumstances — in particular force majeure (see Article 51) — make implementation impossible or excessively difficult.

49.1.2 Procedure

The coordinator must immediately formally notify to the EIT the suspension (see Article 52), stating:

- the reasons why and
- the expected date of resumption.

The suspension will **take effect** the day this notification is received by the EIT.

Once circumstances allow for implementation to resume, the coordinator must immediately formally notify the EIT and request an **amendment** of the Agreement to set the date on which the action will be resumed, extend the duration of the action and make other changes necessary to adapt the action to the new situation (see Article 55) — unless the Agreement or the participation of a beneficiary has been terminated (see Article 50).

The suspension will be **lifted** with effect from the resumption date set out in the amendment. This date may be before the date on which the amendment enters into force.

Costs incurred during suspension of the action implementation are not eligible (see Article 6).

49.2 Suspension of the action implementation, by the EIT

49.2.1 Conditions

The EIT may suspend implementation of the action or any part of it, if:

- (a) if a beneficiary (or a natural person who has the power to represent or take decisions on its behalf) has committed or is suspected of having committed:
 - (i) substantial errors, irregularities or fraud or
 - (ii) serious breach of obligations under this Agreement or during the award procedure (including improper implementation of the action, submission of false information, failure to provide required information, breach of ethical principles);
- (b) a beneficiary (or a natural person who has the power to represent or take decisions on its behalf) has committed — in other EU or Euratom grants awarded to it under similar conditions — systemic or recurrent errors, irregularities, fraud or serious breach of obligations that have a material impact on this grant (**extension of findings from other grants to this grant**; see Article 22.5.2), or
- (c) not applicable.

49.2.2 Procedure

Before suspending implementation of the action, the EIT will formally notify the coordinator or beneficiary concerned:

- informing it of its intention to suspend the implementation and the reasons why and
- inviting it to submit observations within 30 days of receiving notification.

If the EIT does not receive observations or decides to pursue the procedure despite the observations it has received, it will formally notify **confirmation** of the suspension. Otherwise, it will formally notify that the procedure is not continued.

The suspension will **take effect** five days after confirmation notification is received (or on a later date specified in the notification).

It will be **lifted** if the conditions for resuming implementation of the action are met.

The coordinator or beneficiary concerned will be formally notified of the lifting and the Agreement will be **amended** to set the date on which the action will be resumed, extend the duration of the action and make other changes necessary to adapt the action to the new situation (see Article 55) — unless the Agreement has already been terminated (see Article 50).

The suspension will be lifted with effect from the resumption date set out in the amendment. This date may be before the date on which the amendment enters into force.

Costs incurred during suspension are not eligible (see Article 6).

The beneficiaries may not claim damages due to suspension by the EIT (see Article 46).

Suspension of the action implementation does not affect the EIT's right to terminate the Agreement or participation of a beneficiary (see Article 50), reduce the grant or recover amounts unduly paid (see Articles 43 and 44).

ARTICLE 50 — TERMINATION OF THE AGREEMENT OR OF THE PARTICIPATION OF ONE OR MORE BENEFICIARIES

50.1 Termination of the Agreement, by the beneficiaries

50.1.1 Conditions and procedure

The beneficiaries may terminate the Agreement.

The coordinator must formally notify termination to the EIT (see Article 52), stating:

- the reasons why and
- the date the termination will take effect. This date must be after the notification.

If no reasons are given or if the EIT considers the reasons do not justify termination, the Agreement will be considered to have been **'terminated improperly'**.

The termination will **take effect** on the day specified in the notification.

50.1.2 Effects

The coordinator must — within 60 days from when termination takes effect — submit:

- (i) not applicable;
- (ii) the final report (see Article 20.4).

If the EIT does not receive the reports within the deadline (see above), only costs which are included in an approved periodic report will be taken into account.

The EIT will **calculate** the final grant amount (see Article 5.3) and the balance (see Article 21.4) on the basis of the reports submitted. Only costs incurred until termination are eligible (see Article 6). Costs relating to contracts due for execution only after termination are not eligible.

Improper termination may lead to a reduction of the grant (see Article 43).

After termination, the beneficiaries' obligations (in particular Articles 20, 22, 23, Section 3 of Chapter 4, 36, 37, 38, 40, 42, 43 and 44) continue to apply.

50.2 Termination of the participation of one or more beneficiaries, by the beneficiaries

50.2.1 Conditions and procedure

The participation of one or more beneficiaries may be terminated by the coordinator, on request of the beneficiary concerned or on behalf of the other beneficiaries.

The coordinator must formally notify termination to the EIT (see Article 52) and inform the beneficiary concerned.

If the coordinator's participation is terminated without its agreement, the formal notification must be done by another beneficiary (acting on behalf of the other beneficiaries).

The notification must include:

- the reasons why;
- the opinion of the beneficiary concerned (or proof that this opinion has been requested in writing);
- the date the termination takes effect. This date must be after the notification, and
- a request for amendment (see Article 55), with a proposal for reallocation of the tasks and the estimated budget of the beneficiary concerned (see Annexes 1 and 2) and, if necessary,

the addition of one or more new beneficiaries (see Article 56). If termination takes effect after the period set out in Article 3, no request for amendment must be included unless the beneficiary concerned is the coordinator. In this case, the request for amendment must propose a new coordinator.

If this information is not given or if the EIT considers that the reasons do not justify termination, the participation will be considered to have been **terminated improperly**.

The termination will **take effect** on the day specified in the notification.

50.2.2 Effects

The coordinator must — within 30 days from when termination takes effect — submit:

- (i) a report on the distribution of payments to the beneficiary concerned and
- (ii) if termination takes effect during the period set out in Article 3, a '**termination report**' from the beneficiary concerned, for the open reporting period until termination, containing an overview of the progress of the work, an overview of the use of resources, the individual financial statement and, if applicable, the certificate on the financial statement (see Article 20.4).

The information in the termination report must also be included in the final report (see Article 20.3).

If the request for amendment is rejected by the EIT (because it calls into question the decision awarding the grant or breaches the principle of equal treatment of applicants), the Agreement may be terminated according to Article 50.3.1(c).

If the request for amendment is accepted by the EIT, the Agreement is **amended** to introduce the necessary changes (see Article 55).

The EIT will — on the basis of the termination report and the report on the distribution of payments — **calculate** the amount which is due to the beneficiary and if the (pre-financing) payments received by the beneficiary exceed this amount.

The **amount which is due** is calculated in the following steps:

Step 1 - Application of the reimbursement rate to the eligible costs

The grant amount for the beneficiary is calculated by applying the reimbursement rate(s) to the total eligible costs declared by the beneficiary and its linked third parties in the termination report and approved by the EIT.

Only costs incurred by the beneficiary concerned until termination takes effect are eligible (see Article 6). Costs relating to contracts due for execution only after termination are not eligible.

Step 2 – Reduction due to substantial errors, irregularities or fraud or serious breach of obligations

In case of a reduction (see Article 43), the EIT will calculate the reduced grant amount for the beneficiary by deducting the amount of the reduction (calculated in proportion to the seriousness of the errors, irregularities or fraud or breach of obligations, in accordance with Article 43.2) from the grant amount for the beneficiary.

- If the payments received **exceed the amounts due**:
 - if termination takes effect during the period set out in Article 3 and the request for amendment is accepted, the beneficiary concerned must repay to the coordinator the amount unduly received. The EIT will formally notify the amount unduly received and request the beneficiary concerned to repay it to the coordinator within 30 days of receiving notification. If it does not repay the coordinator, the EIT will draw upon the Guarantee Fund to pay the coordinator and then notify a **debit note** on behalf of the Guarantee Fund to the beneficiary concerned (see Article 44);
 - in all other cases (in particular if termination takes effect after the period set out in Article 3), the EIT will formally notify a **debit note** to the beneficiary concerned. If payment is not made by the date in the debit note, the Guarantee Fund will pay to the EIT the amount due and the EIT will notify a debit note on behalf of the Guarantee Fund to the beneficiary concerned (see Article 44);
 - if the beneficiary concerned is the former coordinator, it must repay the new coordinator the amount unduly received, unless:
 - termination takes effect after pre-financing payment and
 - the former coordinator has not distributed amounts received as pre-financing (see Article 21.7).

In this case, the EIT will formally notify a **debit note** to the former coordinator. If payment is not made by the date in the debit note, the Guarantee Fund will pay to the EIT the amount due. The EIT will then pay the new coordinator and notify a debit note on behalf of the Guarantee Fund to the former coordinator (see Article 44).

- If the payments received **do not exceed the amounts due**: amounts owed to the beneficiary concerned will be included in the final payment.

If the EIT does not receive the termination report within the deadline (see above), only costs included in the approved final report will be taken into account.

If the EIT does not receive the report on the distribution of payments within the deadline (see above), it will consider that:

- the coordinator did not distribute any payment to the beneficiary concerned and that
- the beneficiary concerned must not repay any amount to the coordinator.

Improper termination may lead to a reduction of the grant (see Article 43) or termination of the Agreement (see Article 50).

After termination, the concerned beneficiary's obligations (in particular Articles 20, 22, 23, Section 3 of Chapter 4, 36, 37, 38 and 40) continue to apply.

50.3 Termination of the Agreement or the participation of one or more beneficiaries, by the EIT

50.3.1 Conditions

The EIT may terminate the Agreement or the participation of one or more beneficiaries, if:

- (a) one or more beneficiaries do not accede to the Agreement (see Article 56);
- (b) a change to their legal, financial, technical, organisational or ownership situation or of those of its linked third parties is likely to substantially affect or delay the implementation of the action or calls into question the decision to award the grant;
- (c) following termination of participation for one or more beneficiaries (see above), the necessary changes to the Agreement would call into question the decision awarding the grant or breach the principle of equal treatment of applicants (see Article 55);
- (d) implementation of the action is prevented by force majeure (see Article 51) or suspended by the coordinator (see Article 49.1) and either:
 - (i) resumption is impossible, or
 - (ii) the necessary changes to the Agreement would call into question the decision awarding the grant or breach the principle of equal treatment of applicants;
- (e) a beneficiary is declared bankrupt, being wound up, having its affairs administered by the courts, has entered into an arrangement with creditors, has suspended business activities, or is subject to any other similar proceedings or procedures under national law;
- (f) a beneficiary (or a natural person who has the power to represent or take decisions on its behalf) has been found guilty of professional misconduct, proven by any means;
- (g) a beneficiary does not comply with the applicable national law on taxes and social security;
- (h) not applicable;
- (i) not applicable;
- (j) not applicable;
- (k) a beneficiary (or a natural person who has the power to represent or take decisions on its behalf) has committed fraud, corruption, or is involved in a criminal organisation, money laundering or any other illegal activity affecting the EU's financial interests;

- (l) a beneficiary (or a natural person who has the power to represent or take decisions on its behalf) has committed:
 - (i) substantial errors, irregularities or fraud or
 - (ii) serious breach of obligations under the Agreement or during the award procedure (including improper implementation of the action, submission of false information, failure to provide required information, breach of ethical principles);
- (m) a beneficiary (or a natural person who has the power to represent or take decisions on its behalf) has committed — in other EU or Euratom grants awarded to it under similar conditions — systemic or recurrent errors, irregularities, fraud or serious breach of obligations that have a material impact on this grant (**extension of findings from other grants to this grant**; see Article 22.5.2);
- (n) despite a specific request by the EIT, a beneficiary does not request — through the coordinator — an amendment to the Agreement to end the participation of one of its linked third parties or international partners that is in one of the situations under points (e), (f), (g), (k), (l) or (m) and to reallocate its tasks.

50.3.2 Procedure

Before terminating the Agreement or participation of one or more beneficiaries, the EIT will formally notify the coordinator or beneficiary concerned:

- informing it of its intention to terminate and the reasons why and
- inviting it, within 30 days of receiving notification, to submit observations and — in case of Point (l.ii) above — to inform the EIT of the measures to ensure compliance with the obligations under the Agreement.

If the EIT does not receive observations or decides to pursue the procedure despite the observations it has received, it will formally notify to the coordinator or beneficiary concerned **confirmation** of the termination and the date it will take effect. Otherwise, it will formally notify that the procedure is not continued.

The termination will **take effect**:

- for terminations under Points (b), (c), (e), (g), (l.ii) and (n) above: on the day specified in the notification of the confirmation (see above);
- for terminations under Points (a), (d), (f), (k), (l.i) and (m) above: on the day after the notification of the confirmation is received.

50.3.3 Effects

- (a) for **termination of the Agreement**:

The coordinator must — within 60 days from when termination takes effect — submit:

- (i) not applicable;
- (ii) a final report (see Article 20.4).

If the Agreement is terminated for breach of the obligation to submit the final report (see Articles 20.8 and 50.3.1(l)), the coordinator may not submit any reports after termination.

If the EIT does not receive the reports within the deadline (see above), only costs which are included in the approved final report will be taken into account.

The EIT will **calculate** the final grant amount (see Article 5.3) and the balance (see Article 21.4) on the basis of the reports submitted. Only costs incurred until termination takes effect are eligible (see Article 6). Costs relating to contracts due for execution only after termination are not eligible.

This does not affect the EIT's right to reduce the grant (see Article 43) or to impose administrative sanctions (Article 45).

The beneficiaries may not claim damages due to termination by the EIT (see Article 46).

After termination, the beneficiaries' obligations (in particular Articles 20, 22, 23, Section 3 of Chapter 4, 36, 37, 38, 40, 42, 43 and 44) continue to apply.

(b) for **termination of the participation of one or more beneficiaries**:

The coordinator must — within 60 days from when termination takes effect — submit:

- (i) a report on the distribution of payments to the beneficiary concerned;
- (ii) a request for amendment (see Article 55), with a proposal for reallocation of the tasks and estimated budget of the beneficiary concerned (see Annexes 1 and 2) and, if necessary, the addition of one or more new beneficiaries (see Article 56). If termination is notified after the period set out in Article 3, no request for amendment must be submitted unless the beneficiary concerned is the coordinator. In this case the request for amendment must propose a new coordinator, and
- (iii) if termination takes effect during the period set out in Article 3, a **termination report** from the beneficiary concerned, for the open reporting period until termination, containing an overview of the progress of the work, an overview of the use of resources, the individual financial statement and, if applicable, the certificate on the financial statement (see Article 20).

If the request for amendment is rejected by the EIT (because it calls into question the decision awarding the grant or breaches the principle of equal treatment of applicants), the Agreement may be terminated according to Article 50.3.1(c).

If the request for amendment is accepted by the EIT, the Agreement is **amended** to introduce the necessary changes (see Article 55).

The EIT will— on the basis of the termination report and the report on the distribution of payments — **calculate** the amount which is due to the beneficiary and if the (pre-financing) payments received by the beneficiary exceed this amount.

The **amount which is due** is calculated in the following steps:

Step 1 - Application of the reimbursement rate to the eligible costs

The grant amount for the beneficiary is calculated by applying the reimbursement rate(s) to the total eligible costs declared by the beneficiary and its linked third parties in the termination report and approved by the EIT.

Only costs incurred by the beneficiary concerned until termination takes effect are eligible (see Article 6). Costs relating to contracts due for execution only after termination are not eligible.

Step 2 – Reduction due to substantial errors, irregularities or fraud or serious breach of obligations

In case of a reduction (see Article 43), the EIT will calculate the reduced grant amount for the beneficiary by deducting the amount of the reduction (calculated in proportion to the seriousness of the errors, irregularities or fraud or breach of obligations, in accordance with Article 43.2) from the grant amount for the beneficiary.

- If the payments received **exceed the amounts due**:
 - if termination takes effect during the period set out in Article 3 and the request for amendment is accepted, the beneficiary concerned must repay to the coordinator the amount unduly received. The EIT will formally notify the amount unduly received and request the beneficiary concerned to repay it to the coordinator within 30 days of receiving notification. If it does not repay the coordinator, the EIT will draw upon the Guarantee Fund to pay the coordinator and then notify a debit note on behalf of the Guarantee Fund to the beneficiary concerned (see Article 44);
 - in all other cases, in particular if termination takes effect after the period set out in Article 3, the EIT will formally notify a **debit note** to the beneficiary concerned. If payment is not made by the date in the debit note, the Guarantee Fund will pay to the EIT the amount due and the EIT will notify a debit note on behalf of the Guarantee Fund to the beneficiary concerned (see Article 44) ;
 - if the beneficiary concerned is the former coordinator, it must repay the new coordinator the amount unduly received, unless:
 - termination takes effect after the final payment and

- the former coordinator has not distributed amounts received as pre-financing payments (see Article 21.7)

In this case, the EIT will formally notify a **debit note** to the former coordinator. If payment is not made by the date in the debit note, the Guarantee Fund will pay to the EIT the amount due. The EIT will then pay the new coordinator and notify a debit note on behalf of the Guarantee Fund to the former coordinator (see Article 44).

- If the payments received **do not exceed the amounts due**: amounts owed to the beneficiary concerned will be included in the final payment.

If the EIT does not receive the termination report within the deadline (see above), only costs included in the approved final report will be taken into account.

If the EIT does not receive the report on the distribution of payments within the deadline (see above), it will consider that:

- the coordinator did not distribute any payment to the beneficiary concerned, and that
- the beneficiary concerned must not repay any amount to the coordinator.

After termination, the concerned beneficiary's obligations (in particular Articles 20, 22, 23, Section 3 of Chapter 4, 36, 37, 38, 40, 42, 43 and 44) continue to apply.

SECTION 4 FORCE MAJEURE

ARTICLE 51 — FORCE MAJEURE

'Force majeure' means any situation or event that:

- prevents either party from fulfilling their obligations under the Agreement,
- was unforeseeable, exceptional situation and beyond the parties' control,
- was not due to error or negligence on their part (or on the part of third parties involved in the action), and
- proves to be inevitable in spite of exercising all due diligence.

The following cannot be invoked as force majeure:

- any default of a service, defect in equipment or material or delays in making them available, unless they stem directly from a relevant case of force majeure,
- labour disputes or strikes, or
- financial difficulties.

Any situation constituting force majeure must be formally notified to the other party without delay, stating the nature, likely duration and foreseeable effects.

The parties must immediately take all the necessary steps to limit any damage due to force majeure and do their best to resume implementation of the action as soon as possible.

The party prevented by force majeure from fulfilling its obligations under the Agreement cannot be considered in breach of them.

CHAPTER 7 FINAL PROVISIONS

ARTICLE 52 — COMMUNICATION BETWEEN THE PARTIES

52.1 Form and means of communication

Communication under the Agreement (information, requests, submissions, ‘formal notifications’, etc.) must:

- be made in writing and
- bear the number of the Agreement.

Until the payment of the balance: all communication must be made through the electronic exchange system or electronically in the form of e-mail.

After the payment of the balance: formal notifications must be made by registered post with proof of delivery (‘formal notification on paper’).

If the electronic exchange system is temporarily unavailable, instructions will be given on the EIT website.

52.2 Date of communication

Communications are considered to have been made when they are sent by the sending party (e.g. on the date and time they are sent through the electronic exchange system).

Formal notifications through the **electronic** exchange system are considered to have been made when they are received by the receiving party (i.e. on the date and time of acceptance by the receiving party, as indicated by the time stamp). A formal notification that has not been accepted within 10 days after sending is considered to have been accepted.

Formal notifications **on paper** sent by **registered post** with proof of delivery (only after the payment of the balance) are considered to have been made on either:

- the delivery date registered by the postal service or
- the deadline for collection at the post office.

If the electronic exchange system is temporarily unavailable, the sending party cannot be considered in breach of its obligation to send a communication within a specified deadline.

52.3 Addresses for communication

The **electronic** exchange system must be accessed via the following URL:

<https://duna.eit.europa.eu>

Formal notifications electronically addressed to the EIT must be sent to the following e-mail address:

EIT-Director@eit.europa.eu.

The EIT will formally notify the coordinator and beneficiaries in advance any changes to this URL.

Formal notifications on paper (only after the payment of the balance) addressed **to the EIT** must be sent to the following address:

Director
European Institute of Innovation and Technology - EIT
Infopark, Building E, Neumann Janos utca 1
1117 Budapest
Hungary

Formal notifications on paper (only after the payment of the balance) addressed **to the beneficiaries** must be sent to their legal address.

ARTICLE 53 — INTERPRETATION OF THE AGREEMENT

53.1 Precedence of the Terms and Conditions over the Annexes

The provisions in the Terms and Conditions of the Agreement take precedence over its Annexes.

Annex 2 takes precedence over Annex 1.

53.2 Privileges and immunities

Not applicable.

ARTICLE 54 — CALCULATION OF PERIODS, DATES AND DEADLINES

In accordance with Regulation No 1182/71²⁸, periods expressed in days, months or years are calculated from the moment the triggering event occurs.

²⁸ Regulation (EEC, Euratom) No 1182/71 of the Council of 3 June 1971 determining the rules applicable to periods, dates and time-limits (OJ L 124, 8.6.1971, p. 1).

The day during which that event occurs is not considered as falling within the period.

ARTICLE 55 — AMENDMENTS TO THE AGREEMENT

55.1 Conditions

The Agreement may be amended, unless the amendment entails changes to the Agreement which would call into question the decision awarding the grant or breach the principle of equal treatment of applicants.

Amendments may be requested by any of the parties.

55.2 Procedure

The party requesting an amendment must submit a request for amendment submitted in accordance with Article 52.

The coordinator submits and receives requests for amendment on behalf of the beneficiaries (see Annex 3).

If a change of coordinator is requested without its agreement, the submission must be done by another beneficiary (acting on behalf of the other beneficiaries).

The request for amendment must include:

- the reasons why;
- the appropriate supporting documents, and
- for a change of coordinator without its agreement: the opinion of the coordinator (or proof that this opinion has been requested in writing).

The EIT may request additional information.

If the party receiving the request agrees, it must sign the amendment in the electronic exchange system within 45 days of receiving notification (or any additional information the EIT has requested). If it does not agree, it must formally notify its disagreement within the same deadline. The deadline may be extended, if necessary for the assessment of the request. If no notification is received within the deadline, the request is considered to have been rejected.

An amendment **enters into force** on the day of the signature of the receiving party.

An amendment **takes effect** on the date agreed by the parties or, in the absence of such an agreement, on the date on which the amendment enters into force.

ARTICLE 56 — ACCESSION TO THE AGREEMENT

56.1 Accession of the beneficiaries mentioned in the Preamble

The other beneficiaries must accede to the Agreement by signing the Accession Form (see Annex 3) which shall be submitted by the coordinator to the EIT within 180 days after its entry into force (see Article 58).

They will assume the rights and obligations under the Agreement with effect from the date of its entry into force (see Article 58).

If a beneficiary does not accede to the Agreement within the above deadline, the coordinator must — within 30 days — request an amendment to make any changes necessary to ensure proper implementation of the action. This does not affect the EIT's right to terminate the Agreement (see Article 50).

56.2 Addition of new beneficiaries

In justified cases, the beneficiaries may request the addition of a new beneficiary.

For this purpose, the coordinator must submit a request for amendment in accordance with Article 55. It must include an Accession Form (see Annex 3) signed by the new beneficiary.

New beneficiaries must assume the rights and obligations under the Agreement with effect from the date of their accession specified in the Accession Form (see Annex 3).

ARTICLE 57 — APPLICABLE LAW AND SETTLEMENT OF DISPUTES

57.1 Applicable law

The Agreement is governed by the applicable EU law, supplemented if necessary by the law of Belgium.

57.2 Dispute settlement

If a dispute concerning the interpretation, application or validity of the Agreement cannot be settled amicably, the General Court — or, on appeal, the Court of Justice of the European Union — has sole jurisdiction. Such actions must be brought under Article 272 of the Treaty on the Functioning of the EU (TFEU).

As an exception, if such a dispute is between the EIT and non-EU KIC Partner(s) (except KIC Partners established in an associated country with an association agreement to Horizon 2020 that stipulates sole jurisdiction of the European Court of Justice), the competent Belgian courts have sole jurisdiction.

If a dispute concerns administrative sanctions, offsetting or an enforceable decision under Article 299 TFEU (see Articles 44, 45 and 46), the beneficiaries must bring action before the General Court — or, on appeal, the Court of Justice of the European Union — under Article 263 TFEU.

ARTICLE 58 — ENTRY INTO FORCE OF THE AGREEMENT

The Agreement will enter into force on the day of signature by the EIT or the coordinator, depending on which is later.

SIGNATURES

For the coordinator

For the EIT

Done in English

Done in English

MODEL

SUGA Annex 1: Description of the action: the Start-up plan

The start-up plan sets out the main activities for a rapid start of the KIC. It **shall include** the following areas and segments of activities, taking into account that each area and segment shall indicate the relevant milestones and deliverables while meeting those presented in the Framework of Guidance (EIT KIC Call 2016)¹ as minimum, and the KIC is asked to develop more specific indicators in its start-up plan to measure progress towards the deliverables.

1.1 Legal readiness

1.1.1 Set up of KIC Legal structures

- Set up necessary KIC legal structures, including KIC Legal Entity, official representative for all contractual relations with the EIT
- Set-up governance arrangements that reflect the knowledge triangle of higher education, business, research and innovation and that integrate a system of checks and balances in line with the principles spelled out in the Framework Partnership Agreement (FPA)².

1.1.2 KIC Partnership agreements

- Conclude participation and internal agreements between KIC LE and KIC Partners, with a view of ensuring a strong commitment by KIC partners, including their financial support.
- Ensure an effective operational structure to deliver the KIC strategy and ensure a gradual, and transparent partner expansion plan
- Establish Internal rules which guarantee transparency

1.1.3 Endorsement and signature of the FPA

- Prepare Strategic Agenda to be enclosed in the FPA
- Prepare KIC Partners for the signature of the FPA, including the endorsement of the draft FPA by the KIC partners
- Coordinate the timely signature of the FPA between the EIT and the KIC partners

1.2 Operational readiness

1.2.1 Recruitment & appointment of CEO

- Recruit and appoint a full-time CEO with full executive control for the daily operational management of the KIC.

¹ Framework of Guidance (EIT KIC Call 2016), Innovate ! Join the EIT Community and help Europe advance. European Institute of Innovation and Technology (EIT). 2015, November. Available at : <http://eit.europa.eu/interact/bookshelf/framework-guidance-eit%E2%80%99s-2016-call-kic-proposals>

² EIT Model Framework Partnership Agreement available at : <http://eit.europa.eu/collaborate/2016-call-for-kics>

1.2.2 Recruitment & appointment of KIC Core staff (CFO, COO, Thematic Directors, CLC managers)

- Appoint a high quality and diverse management team with strong direction, leadership and executive power over the implementation of the KIC's strategy and business plans
- Recruit other KIC core staff.

1.2.3 Set up of operational functions at the KIC LE level

- Design and agree on the practical modalities for implementation of KIC activities.
- Prepare monitoring, reporting and evaluation functions for the KIC Legal Entity.

1.2.4 Development and submission of First Business Plan

- Prepare the KIC's integrated portfolio of activities in the first KIC Business Plan (KIC BP), in accordance with the Guidelines provided by the EIT.
- Establish the processes and means to ensure continuous linkages across co-location centres and between all the partners in the KIC and the formation of diverse teams.
- Signature of SGA2018 upon approval of Business Plan.

1.3 Fostering EIT Identity

1.3.1 KIC's communication policy³

- Develop the KIC's communication policy contributing to the EIT's visibility and identity and based on the EIT Community Brand Book.

1.4 Other activities (optional)

Examples are:

- Design and implementation of initial activities focusing on knowledge triangle integration in the field of higher education, business, research and innovation activities that directly contribute to the rolling-out of the first KIC Business Plan, when justified.
- Develop a policy for the management and exploitation of Intellectual Property (IP), tailored to the specific needs of KIC's thematic area, aligned with the KIC business model and contributing to the KIC's financial sustainability in the medium term.
- Set-up an IP Board to facilitate the formulation of its IP policy.
- Consider steps to develop a strategy for financial sustainability
- Develop a monitoring strategy of activities
- Develop a dissemination plan
- Design specific outreach initiatives, in line with the concept of the 'Regional Innovation Scheme' (RIS).

³ Activities and costs thereof funded by the EIT under Communications Support to newly designated KICs cannot be covered under the Start-up Grant Agreement.



MODEL ANNEX 2 to EIT SUGA

BUDGET TEMPLATE FOR THE EIT START-UP GRANT
ESTIMATED BUDGET FOR THE ACTION

	Estimated eligible ¹ costs (per budget category)								EIT contribution			Additional information	
	A. Direct personnel costs				B. Direct costs of subcontracting	D. Other direct costs		E. Indirect costs ²	Total costs	Reimbursement rate %	Maximum EIT contribution ³		Maximum grant amount ⁴
	A.1 Employees (or equivalent)		A.4 SME owners without salary			D.1 Travel		D.5 Costs of internally invoiced goods and services					
	A.2 Natural persons under direct contract		A.5 Beneficiaries that are natural persons without salary			D.2 Equipment		D.3 Other goods and services					
A.3 Seconded persons													
Form of costs ⁵	Actual	Unit ⁶	Unit ⁷		Actual	Actual	Unit ⁸	Flat-rate ⁹					
								25%					
	a	Total b	No hours	Total c	d	f	Total h	i = 0,25 x (a+b+c+f+h-p)	k = a+b+c+d+f+h+i	m	n	o	p
1 [short name beneficiary]													
1. Legal readiness													
1.1 Set up of KIC Legal structures													
1.2 KIC Partnership agreements													
1.3 Endorsement and signature of the FPA													
2. Operational readiness													
2.1 Recruitment & appointment of CEO													
2.2 Recruitment & appointment of KIC Core staff (CFO, COO, Thematic Directors, CLIC managers)													
2.3 Set up of operational functions at the KIC LE level													
2.4 Development and submission of First Business Plan													
3. Fostering EIT Identity													
3.1 KIC's communication policy													
4. Other activities (optional)													
4.1 Activity													
4.n Activity n													
....													
Total beneficiary 1													
n [short name beneficiary]													
1. Legal readiness													
1.1 Set up of KIC Legal structures													
1.2 KIC Partnership agreements													
1.3 Endorsement and signature of the FPA													
2. Operational readiness													
2.1 Recruitment & appointment of CEO													
2.2 Recruitment & appointment of KIC Core staff (CFO, COO, Thematic Directors, CLIC managers)													
2.3 Set up of operational functions at the KIC LE level													
2.4 Development and submission of First Business Plan													
3. Fostering EIT Identity													
3.1 KIC's communication policy													
4. Other activities (optional)													
4.1 Activity													
4.n Activity n													
...													
Total beneficiary n													
...													
Total consortium													

NB: Only budget areas (1,2,3,4) or segments (e.g 1.1) be applied where costs are budgeted by the beneficiary.

¹ See Article 6 for the eligibility conditions.

² The indirect costs already covered by an operating grant (received under any EU or Euratom funding programme; see Article 6.5.(b)) are ineligible under the SUGA. Therefore, a beneficiary/linked third party that receives an operating grant during the action's duration cannot declare indirect costs for the year(s)/reporting period(s) covered by the operating grant, unless it can demonstrate that the operating grant does not

³ This is the *theoretical* amount of EIT contribution. The theoretical amount is capped by the 'maximum grant amount' (that the EIT decided to grant for the action) (see Article 5.1).

⁴ The 'maximum grant amount' is the maximum grant amount decided by the EIT. It normally corresponds to the requested grant, but may be lower.

⁵ See Article 5 for the forms of costs.

⁶ Unit : hours worked on the action; costs per unit (hourly rate) : calculated according to beneficiary's usual accounting practice.

⁷ See Annex 6 'Additional information on the estimated budget' for the details (costs per hour (hourly rate)).

⁸ Flat rate : 25% of eligible direct costs, from which are excluded: direct costs of subcontracting, costs of in-kind contributions not used on premises (see Article 6.2.E).

ANNEX 3

ACCESSION FORM FOR BENEFICIARIES

[Full official name of the beneficiary/new beneficiary/new coordinator (short name)] established in [official address in full], [OPTION for beneficiaries with VAT: VAT number: [insert number], ('the beneficiary' or 'the coordinator'), represented for the purpose of signing this Accession Form by [forename and surname, function],

hereby agrees

to become *[beneficiary][coordinator]* ('insert official registration no')

in Grant Agreement No [insert agreement number] ('the Agreement')

between [full official name of the coordinator] and the European Institute of Innovation and Technology

for the action entitled 'Start-up Grant for [full name of KIC].

and mandates the coordinator to submit and sign in its name and on its behalf any amendments to the Agreement, in accordance with Article 55.

By signing this Accession Form, the beneficiary accepts the grant and agrees to [OPTION: *for new coordinators: take on the obligations and role of coordinator and to*] implement it in accordance with the Agreement, with all the obligations and conditions it sets out [OPTION *for new beneficiaries: as from [insert accession date that may be either the date of signature of the Accession Form or the date of entry into force of the amendment] ('accession date')*] [additional *OPTION for change of beneficiary due to partial takeover: and with joint and several liability for undue amounts paid to [insert short name of former beneficiary] (i.e. recoveries)] – if the EIT agrees with the request for amendment].*

SIGNATURE

For the beneficiary/new beneficiary/new coordinator:

[function/forename/surname]

[signature]

Done in [English] on [stamp]

Declaration on joint and several liability of linked third parties

(to be filled by the linked third party and submitted by the beneficiary if Article 14 applies and linked third party liability has been requested by the EIT)

[full official name of the entity affiliated or linked to the beneficiary (short name)], established in [official address in full], [OPTION for linked third parties with VAT: VAT number [insert number]] ('the linked third party'), represented for the purpose of signing this Declaration on joint and several liability by its legal representative(s) [forename and surname, function of the legal representative(s) of the linked third party],

linked to beneficiary No [insert number] [full official name of the beneficiary (short name)], established in [official address in full], [OPTION for beneficiaries with VAT: VAT number [insert number]] ('the beneficiary'),

hereby accepts joint and several liability with the beneficiary

for any amount owed to the EIT [OPTION in case it is necessary to guarantee the financial capacity of the beneficiary: by the beneficiary] [OPTION in case it is necessary as an additional guarantee for the debt of the linked third party:¹ by the linked third party] under SUGA [year][KIC name], up to the maximum EU contribution indicated, for the linked third party, in the estimated budget (see Annex 2).

The linked third party irrevocably and unconditionally agrees to pay amounts requested under this Declaration to the EIT, immediately and at first demand.

For the linked third party
[forename/surname/function]

¹ This option may be used for example in case the estimated budget of the linked third party exceeds the estimated budget of the beneficiary.



signature

Done in English at [place], on [date]

MODEL

① print format A4
landscape



MODEL ANNEX 4a to EIT SUGA

SUMMARY FINANCIAL STATEMENT FOR THE EIT START-UP GRANT

	eligible costs (per budget category/per area/segment)									Receipts		EIT contribution		Additional information
	A. Direct personnel costs				B. Direct costs of subcontracting	D. Other direct costs		E. Indirect costs	Total costs	Receipts	Reimbursement rate %	Maximum EIT contribution	Requested EIT contribution	Information for indirect costs :
	A.1 Employees (or equivalent)		A.4 SME owners without salary			D.1 Travel	D.5 Costs of internally invoiced goods and services			Receipts of the action, to be reported in the last reporting period, according to Article 5.3.3				Costs of in-kind contributions not used on premises
	A.2 Natural persons under direct contract		A.5 Beneficiaries that are natural persons without salary			D.2 Equipment								
	A.3 Seconded persons					D.3 Other goods and services								
Form of costs	Actual	Unit	Unit		Actual	Actual	Unit	Flat-rate						
								25%						
	a	Total b	No hours	Total c	d	f	Total h	i=0,25 x (a+b+c+f+h-p)	k= a+b+c+d+f+h+i	l	m	n	o	p
1. Legal readiness	0	0		0	0	0	0	0	0	0	100%	0	0	
1.1 Set up of KIC Legal structures								0	0		100%	0		
1.2 KIC Partnership agreements								0	0		100%	0		
1.3 Endorsement and signature of the FPA								0	0		100%	0		
2. Operational readiness	0	0		0	0	0	0	0	0	0	100%	0	0	
2.1 Recruitment & appointment of CEO								0	0		100%	0		
2.2 Recruitment & appointment of KIC Core staff (CFO, COO, Thematic Directors, CLC managers)								0	0		100%	0		
2.3 Set up of operational functions at the KIC LE level								0	0		100%	0		
2.4 Development and submission of First Business Plan								0	0		100%	0		
3. Fostering EIT Identity	0	0		0	0	0	0	0	0	0	100%	0	0	
3.1 KIC's communication policy								0	0		100%	0		
4. Other activities (optional)	0	0		0	0	0	0	0	0	0	100%	0	0	
4.1 Activity								0	0		100%	0		
4.n Activity n								0	0		100%	0		
...								0	0		100%	0		
Total KIC	0	0		0	0	0	0	0	0	0		0	0	

NB: Only budget areas (1,2,3,4) or segments (e.g 1.1) be applied where costs are incurred.

① print format A4
landscape



MODEL ANNEX 4b to EIT SUGA

SUGA FINANCIAL STATEMENT FOR [BENEFICIARY [name]/LINKED THIRD PARTY [name] FOR REPORTING PERIOD [reporting period]

Form of costs ⁴	Eligible ¹ costs (per budget category/area/segment)								Receipts	EIT contribution			Additional information Information for indirect costs: Costs of in-kind contributions not used on premises	
	A. Direct personnel costs			B. Direct costs of subcontracting	D. Other direct costs		E. Indirect costs ²	Total costs	Receipts	Reimbursement rate %	Maximum EIT contribution ³	Requested EIT contribution		
	A.1 Employees (or equivalent)	A.4 SME owners without salary			D.1 Travel	D.5 Costs of internally invoiced goods and services			Receipts of the action, to be reported in the last reporting period, according to Article 5.3.3					
	A.2 Natural persons under direct contract	A.5 Beneficiaries that are natural persons without salary			D.2 Equipment									
	A.3 Seconded persons				D.3 Other goods and services									
	Actual	Unit	Unit		Actual	Actual	Unit	Flat-rate ⁵						
								25%						
	a	Total b	No hours	Total c	d	f	Total h	i=0,25 x (a+b+ c+f+h- p)	k= a+b+c+d+f+h+i	l	m	n	o	p
1. Legal readiness	0	0		0	0	0	0	0	0	0	100%	0	0	0
1.1 Set up of KIC Legal structures								0	0		100%	0		
1.2 KIC Partnership agreements								0	0		100%	0		
1.3 Endorsement and signature of the EPA								0	0		100%	0		
2. Operational readiness	0	0		0	0	0	0	0	0	0	100%	0	0	0
2.1 Recruitment & appointment of CEO								0	0		100%	0		
2.2 Recruitment & appointment of KIC Core staff (CFO, COO, Thematic Directors, CLC managers)								0	0		100%	0		
2.3 Set up of operational functions at the KIC LE level								0	0		100%	0		
2.4 Development and submission of First Business Plan								0	0		100%	0		
3. Fostering EIT Identity	0	0		0	0	0	0	0	0	0	100%	0	0	0
3.1 KIC's communication policy								0	0		100%	0		
4. Other activities (optional)	0	0		0	0	0	0	0	0	0	100%	0	0	0
4.1 Activity								0	0		100%	0		
4.n Activity n								0	0		100%	0		
Total beneficiary	0	0		0	0	0	0	0	0	0		0	0	0

The beneficiary hereby confirms that:
The information provided is complete, reliable and true.
The costs declared are eligible (see Article 6).
The costs can be substantiated by adequate records and supporting documentation that will be produced upon request or in the context of checks, reviews, audits and investigations (see Articles 17, 18 and 22).
All the receipts have been declared (see Article 5.3.3).

① Please declare all eligible costs, even if they exceed the amounts indicated in the estimated budget (see Annex 2). Only amounts that were declared in your individual financial statements can be taken into account lateron, in order to replace other costs that are found to be ineligible.

¹ See Article 6 for the eligibility conditions

² The indirect costs claimed must be free of any amounts covered by an operating grant (received under any EU or Euratom funding programme; see Article 6.2.E). If you have received an operating grant during this reporting period, you cannot claim indirect costs unless you demonstrate that the operating grant does not cover any costs of the action.

³ This is the *theoretical* amount of EIT contribution. The theoretical amount is capped by the 'maximum grant amount' (that the EIT decided to grant for the action) (see Article 5.1).

⁴ See Article 5 for the forms of costs

⁵ Flat rate : 25% of eligible direct costs, from which are excluded: direct costs of subcontracting and costs of in-kind contributions not used on premises

ANNEX 5

MODEL FOR THE CERTIFICATE ON THE FINANCIAL STATEMENTS

- For options [*in italics in square brackets*]: choose the applicable option. Options not chosen should be deleted.
- For fields in [grey in square brackets]: enter the appropriate data

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Terms of Reference for an Independent Report of Factual Findings on costs declared under a Grant Agreement financed under the Horizon 2020 Research and Innovation Framework Programme

This document sets out the 'Terms of Reference (ToR)' under which

[insert name of the beneficiary] ('the Beneficiary'))

agrees to engage

[insert legal name of the auditor] ('the Auditor')

to produce an independent report of factual findings ('the Report') concerning the Financial Statement(s)¹ drawn up by the [Beneficiary] for the Horizon 2020 grant agreement [insert number of the grant agreement, title of the action, acronym and duration from/to] ('the Agreement'), and

to issue a Certificate on the Financial Statements' ('CFS') referred to in Article 20.4 of the Agreement based on the compulsory reporting template stipulated by the EIT.

The Agreement has been concluded under the Horizon 2020 Research and Innovation Framework Programme (H2020) between the Beneficiary and the EIT ('the EIT').

The EIT is mentioned as a signatory of the Agreement with the Beneficiary only. The EIT is not a party to this engagement.

1.1 Subject of the engagement

The coordinator must submit to the EIT the final report within 60 days following the end of the last reporting period which should include, amongst other documents, a CFS for each beneficiary that requests a total contribution of EUR 325 000 or more, as reimbursement of actual costs and unit costs calculated on the basis of its usual cost accounting practices (see Article 20.4 of the Agreement). The CFS must cover the reporting period of the beneficiary applicable under the SUGA.

The Beneficiary must submit to the coordinator the CFS, if the CFS must be included in the final report according to Article 20.4 of the Agreement.

The CFS is composed of two separate documents:

- The Terms of Reference ('the ToR') to be signed by the *Beneficiary* and the Auditor;
- The Auditor's Independent Report of Factual Findings ('the Report') to be issued on the Auditor's letterhead, dated, stamped and signed by the Auditor (or the competent public officer) which includes the agreed-upon procedures ('the Procedures') to be performed by the Auditor, and the standard factual findings ('the Findings') to be confirmed by the Auditor.

If the CFS must be included in the final report according to Article 20.4 of the Agreement, the request for payment of the balance relating to the Agreement cannot be made without the CFS. However, the

¹ By which costs under the Agreement are declared (see template 'Model Financial Statements' in Annex 4 to the Grant Agreement).

payment for reimbursement of costs covered by the CFS does not preclude the EIT, the Commission, the European Anti-Fraud Office and the European Court of Auditors from carrying out checks, reviews, audits and investigations in accordance with Article 22 of the Agreement.

1.2 Responsibilities

The *Beneficiary*:

- must draw up the Financial Statement(s) for the action financed by the Agreement in compliance with the obligations under the Agreement. The Financial Statement(s) must be drawn up according to the *Beneficiary's* accounting and book-keeping system and the underlying accounts and records;
- must send the Financial Statement(s) to the Auditor;
- is responsible and liable for the accuracy of the Financial Statement(s);
- is responsible for the completeness and accuracy of the information provided to enable the Auditor to carry out the Procedures. It must provide the Auditor with a written representation letter supporting these statements. The written representation letter must state the period covered by the statements and must be dated;
- accepts that the Auditor cannot carry out the Procedures unless it is given full access to the *Beneficiary's* staff and accounting as well as any other relevant records and documentation.

The Auditor:

- *[Option 1 by default: is qualified to carry out statutory audits of accounting documents in accordance with Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC or similar national regulations].*
- *[Option 2 if the Beneficiary has an independent Public Officer: is a competent and independent Public Officer for which the relevant national authorities have established the legal capacity to audit the Beneficiary].*
- *[Option 3 if the Beneficiary is an international organisation: is an [internal] [external] auditor in accordance with the internal financial regulations and procedures of the international organisation].*

The Auditor:

- must be independent from the Beneficiary, in particular, it must not have been involved in preparing the *Beneficiary's* Financial Statement(s);
- must plan work so that the Procedures may be carried out and the Findings may be assessed;
- must adhere to the Procedures laid down and the compulsory report format;
- must carry out the engagement in accordance with this ToR;
- must document matters which are important to support the Report;
- must base its Report on the evidence gathered;
- must submit the Report to the *Beneficiary*.

The EIT sets out the Procedures to be carried out by the Auditor. The Auditor is not responsible for their suitability or pertinence. As this engagement is not an assurance engagement, the Auditor does not provide an audit opinion or a statement of assurance.

1.3 Applicable Standards

The Auditor must comply with these Terms of Reference and with²:

- the International Standard on Related Services ('ISRS') 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* as issued by the International Auditing and Assurance Standards Board (IAASB);
- the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (IESBA). Although ISRS 4400 states that independence is not a requirement for engagements to carry out agreed-upon procedures, the *EIT* requires that the Auditor also complies with the Code's independence requirements.

The Auditor's Report must state that there is no conflict of interests in establishing this Report between the Auditor and the Beneficiary, and must specify - if the service is invoiced - the total fee paid to the Auditor for providing the Report.

1.4 Reporting

The Report must be written in the language of the Agreement (see Article 20.7).

Under Article 22 of the Agreement, the Commission, the EIT, the European Anti-Fraud Office and the Court of Auditors have the right to audit any work that is carried out under the action and for which costs are declared from the *European Union* budget. This includes work related to this engagement. The Auditor must provide access to all working papers (e.g. recalculation of hourly rates, verification of the time declared for the action) related to this assignment if the Commission, the EIT, the European Anti-Fraud Office or the European Court of Auditors requests them.

1.5 Timing

The Report must be provided by [dd Month yyyy].

1.6 Other terms

[The Beneficiary and the Auditor can use this section to agree other specific terms, such as the Auditor's fees, liability, applicable law, etc. Those specific terms must not contradict the terms specified above.]

[legal name of the Auditor]

[legal name of the [Beneficiary]

[name & function of authorised representative]

[name & function of authorised representative]

[dd Month yyyy]

[dd Month yyyy]

Signature of the Auditor

Signature of the [Beneficiary]

² Supreme Audit Institutions applying INTOSAI-standards may carry out the Procedures according to the corresponding International Standards of Supreme Audit Institutions and code of ethics issued by INTOSAI instead of the International Standard on Related Services ('ISRS') 4400 and the Code of Ethics for Professional Accountants issued by the IAASB and the IESBA.

Independent Report of Factual Findings on costs declared under Horizon 2020 Research and Innovation
Framework Programme

(To be printed on the Auditor's letterhead)

To
[name of contact person(s)], [Position]
[Beneficiary's name]
[Address]
[dd Month yyyy]

Dear [Name of contact person(s)],

As agreed under the terms of reference dated [dd Month yyyy]

with [insert name of the beneficiary] ('the Beneficiary')

we

[name of the auditor] ('the Auditor'),

established at

[full address/city/state/province/country],

represented by

[name and function of an authorised representative],

have carried out the procedures agreed with you regarding the costs declared in the Financial Statement(s)³ of the *Beneficiary* concerning the grant agreement

[insert grant agreement reference: number, title of the action and acronym] ('the Agreement'),

with a total cost declared of
[total amount] EUR,

and a total of actual costs and unit costs calculated in accordance with the Beneficiary's usual cost accounting practices' declared of

[sum of total actual costs and total direct personnel costs declared as unit costs calculated in accordance with the *Beneficiary's* usual cost accounting practices] EUR

and hereby provide our Independent Report of Factual Findings ('the Report') using the compulsory report format agreed with you.

The Report

³ By which the Beneficiary declares costs under the Agreement (see template 'Model Financial Statement' in Annex 4 to the Agreement).

Our engagement was carried out in accordance with the terms of reference ('the ToR') appended to this Report. The Report includes the agreed-upon procedures ('the Procedures') carried out and the standard factual findings ('the Findings') examined.

The Procedures were carried out solely to assist the *EIT* in evaluating whether the Beneficiary's costs in the accompanying Financial Statement(s) were declared in accordance with the Agreement. The *EIT* draws its own conclusions from the Report and any additional information it may require.

The scope of the Procedures was defined by the EIT. Therefore, the Auditor is not responsible for their suitability or pertinence. Since the Procedures carried out constitute neither an audit nor a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, the Auditor does not give a statement of assurance on the Financial Statements.

Had the Auditor carried out additional procedures or an audit of the *Beneficiary's* Financial Statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to its attention and would have been included in the Report.

Not applicable Findings

We examined the Financial Statement(s) stated above and considered the following Findings not applicable:

Explanation (to be removed from the Report):

If a Finding was not applicable, it must be marked as 'N.A.' ('Not applicable') in the corresponding row on the right-hand column of the table and means that the Finding did not have to be corroborated by the Auditor and the related Procedure(s) did not have to be carried out.

The reasons of the non-application of a certain Finding must be obvious i.e.

- i) if no cost was declared under a certain category then the related Finding(s) and Procedure(s) are not applicable;*
- ii) if the condition set to apply certain Procedure(s) are not met the related Finding(s) and those Procedure(s) are not applicable. For instance, for 'beneficiaries with accounts established in a currency other than euro' the Procedure and Finding related to 'beneficiaries with accounts established in euro' are not applicable. Similarly, if no additional remuneration is paid, the related Finding(s) and Procedure(s) for additional remuneration are not applicable.*

List here all Findings considered not applicable for the present engagement and explain the reasons of the non-applicability.

....

Exceptions

Apart from the exceptions listed below, the *Beneficiary* provided the Auditor all the documentation and accounting information needed by the Auditor to carry out the requested Procedures and evaluate the Findings.

Explanation (to be removed from the Report):

- If the Auditor was not able to successfully complete a procedure requested, it must be marked as 'E' ('Exception') in the corresponding row on the right-hand column of the table. The reason such as the*

inability to reconcile key information or the unavailability of data that prevents the Auditor from carrying out the Procedure must be indicated below.

- *If the Auditor cannot corroborate a standard finding after having carried out the corresponding procedure, it must also be marked as 'E' ('Exception') and, where possible, the reasons why the Finding was not fulfilled and its possible impact must be explained here below.*

List here any exceptions and add any information on the cause and possible consequences of each exception, if known. If the exception is quantifiable, include the corresponding amount.

....

Example (to be removed from the Report):

1. *The Beneficiary was unable to substantiate the Finding number 1 on ... because*
2. *Finding number 30 was not fulfilled because the methodology used by the Beneficiary to calculate unit costs was different from the one approved by the Commission. The differences were as follows: ...*
3. *After carrying out the agreed procedures to confirm the Finding number 31, the Auditor found a difference of _____ EUR. The difference can be explained by ...*

Further Remarks

In addition to reporting on the results of the specific procedures carried out, the Auditor would like to make the following general remarks:

Example (to be removed from the Report):

1. *Regarding Finding number 8 the conditions for additional remuneration were considered as fulfilled because ...*
2. *In order to be able to confirm the Finding number 15 we carried out the following additional procedures:*

Use of this Report

This Report may be used only for the purpose described in the above objective. It was prepared solely for the confidential use of the *Beneficiary* and the *EIT*, and only to be submitted to the *EIT* in connection with the requirements set out in Article 20.4 of the Agreement. The Report may not be used by the *Beneficiary* or by the *EIT* for any other purpose, nor may it be distributed to any other parties. The *EIT* may only disclose the Report to authorised parties, in particular to the European Anti-Fraud Office (OLAF) and the European Court of Auditors.

This Report relates only to the Financial Statement(s) submitted to the *EIT* by the *Beneficiary* for the Agreement. Therefore, it does not extend to any other of the *Beneficiary's* Financial Statement(s).

There was no conflict of interest⁴ between the Auditor and the *Beneficiary* in establishing this Report. The total fee paid to the Auditor for providing the Report was EUR _____ (including EUR _____ of deductible VAT).

⁴ A conflict of interest arises when the Auditor's objectivity to establish the certificate is compromised in fact or in appearance when the Auditor for instance:

- was involved in the preparation of the Financial Statements;
- stands to benefit directly should the certificate be accepted;

We look forward to discussing our Report with you and would be pleased to provide any further information or assistance.

[legal name of the Auditor]

[name and function of an authorised representative]

[dd Month yyyy]

Signature of the Auditor

MODEL

-
- has a close relationship with any person representing the beneficiary;
 - is a director, trustee or partner of the beneficiary; or
 - is in any other situation that compromises his or her independence or ability to establish the certificate impartially.

MODEL

Agreed-upon procedures to be performed and standard factual findings to be confirmed by the Auditor

The EIT reserves the right to i) provide the auditor with additional guidance regarding the procedures to be followed or the facts to be ascertained and the way in which to present them (this may include sample coverage and findings) or to ii) change the procedures, by notifying the Beneficiary in writing. The procedures carried out by the auditor to confirm the standard factual finding are listed in the table below.

If this certificate relates to a Linked Third Party, any reference here below to 'the Beneficiary' is to be considered as a reference to 'the Linked Third Party'.

The 'result' column has three different options: 'C', 'E' and 'N.A.':

- 'C' stands for 'confirmed' and means that the auditor can confirm the 'standard factual finding' and, therefore, there is no exception to be reported.
- 'E' stands for 'exception' and means that the Auditor carried out the procedures but cannot confirm the 'standard factual finding', or that the Auditor was not able to carry out a specific procedure (e.g. because it was impossible to reconcile key information or data were unavailable),
- 'N.A.' stands for 'not applicable' and means that the Finding did not have to be examined by the Auditor and the related Procedure(s) did not have to be carried out. The reasons of the non-application of a certain Finding must be obvious i.e. i) if no cost was declared under a certain category then the related Finding(s) and Procedure(s) are not applicable; ii) if the condition set to apply certain Procedure(s) are not met then the related Finding(s) and Procedure(s) are not applicable. For instance, for 'beneficiaries with accounts established in a currency other than the euro' the Procedure related to 'beneficiaries with accounts established in euro' is not applicable. Similarly, if no additional remuneration is paid, the related Finding(s) and Procedure(s) for additional remuneration are not applicable.

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
A	ACTUAL PERSONNEL COSTS AND UNIT COSTS CALCULATED BY THE BENEFICIARY IN ACCORDANCE WITH ITS USUAL COST ACCOUNTING PRACTICE		

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>The Auditor draws a sample of persons whose costs were declared in the Financial Statement(s) to carry out the procedures indicated in the consecutive points of this section A.</p> <p><i>(The sample should be selected randomly so that it is representative. Full coverage is required if there are fewer than 10 people (including employees, natural persons working under a direct contract and personnel seconded by a third party), otherwise the sample should have a minimum of 10 people, or 10% of the total, whichever number is the highest)</i></p> <p>The Auditor sampled [] people out of the total of [] people.</p>		
A.1	<p>PERSONNEL COSTS.</p> <p><u>For the persons included in the sample and working under an employment contract or equivalent act (general procedures for individual actual personnel costs and personnel costs declared as unit costs)</u></p> <p>To confirm standard factual findings 1-5 listed in the next column, the Auditor reviewed following information/documents provided by the Beneficiary:</p> <ul style="list-style-type: none"> o a list of the persons included in the sample indicating the period(s) during which they worked for the action, their position (classification or category) and type of contract; o the payslips of the employees included in the sample; o reconciliation of the personnel costs declared in the Financial Statement(s) with the accounting system (project accounting and general ledger) and payroll system; 	<p>1) The employees were i) directly hired by the Beneficiary in accordance with its national legislation, ii) under the Beneficiary's sole technical supervision and responsibility and iii) remunerated in accordance with the Beneficiary's usual practices.</p> <p>2) Personnel costs were recorded in the [] Beneficiary's accounts/payroll system.</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<ul style="list-style-type: none"> o information concerning the employment status and employment conditions of personnel included in the sample, in particular their employment contracts or equivalent; o the Beneficiary's usual policy regarding payroll matters (e.g. salary policy, overtime policy, variable pay); o applicable national law on taxes, labour and social security and o any other document that supports the personnel costs declared. <p>The Auditor also verified the eligibility of all components of the retribution (see Article 6 GA) and recalculated the personnel costs for employees included in the sample.</p>	3) Costs were adequately supported and reconciled with the accounts and payroll records.	
		4) Personnel costs did not contain any ineligible elements.	
		5) There were no discrepancies between the personnel costs charged to the action and the costs recalculated by the Auditor.	
	<p><i>Further procedures if 'additional remuneration' is paid</i></p> <p>To confirm standard factual findings 6-9 listed in the next column, the Auditor:</p> <ul style="list-style-type: none"> o reviewed relevant documents provided by the Beneficiary (legal form, legal/statutory obligations, the Beneficiary's usual policy on additional remuneration, criteria used for its calculation, the Beneficiary's usual remuneration practice for projects funded under national funding schemes...); o recalculated the amount of additional remuneration eligible for the action based on the supporting documents received (full-time or part-time work, exclusive or non-exclusive dedication to the action, usual remuneration paid for projects funded by national schemes) 	6) The Beneficiary paying "additional remuneration" was a non-profit legal entity.	
		7) The amount of additional remuneration paid corresponded to the Beneficiary's usual remuneration practices and was consistently paid whenever the same kind of work or expertise was required.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	to arrive at the applicable FTE/year and pro-rata rate (see data collected in the course of carrying out the procedures under A.2 'Productive hours' and A.4 'Time recording system').	8) The criteria used to calculate the additional remuneration were objective and generally applied by the Beneficiary regardless of the source of funding used.	
	<p><i>ADDITIONAL REMUNERATION' MEANS ANY PART OF THE REMUNERATION WHICH EXCEEDS WHAT THE PERSON WOULD BE PAID FOR TIME WORKED IN PROJECTS FUNDED BY NATIONAL SCHEMES.</i></p> <p><i>IF ANY PART OF THE REMUNERATION PAID TO THE EMPLOYEE IS (QUALIFIES AS "ADDITIONAL REMUNERATION") AND IS ELIGIBLE UNDER THE PROVISIONS OF ARTICLE 6.2.A.1, THIS CAN BE CHARGED AS ELIGIBLE COST TO THE ACTION UP TO THE FOLLOWING AMOUNT:</i></p> <p><i>(A) IF THE PERSON WORKS FULL TIME AND EXCLUSIVELY ON THE ACTION DURING THE FULL YEAR: UP TO EUR 8 000/YEAR;</i></p> <p><i>(B) IF THE PERSON WORKS EXCLUSIVELY ON THE ACTION BUT NOT FULL-TIME OR NOT FOR THE FULL YEAR: UP TO THE CORRESPONDING PRO-RATA AMOUNT OF EUR 8 000, OR</i></p> <p><i>(C) IF THE PERSON DOES NOT WORK EXCLUSIVELY ON THE ACTION: UP TO A PRO-RATA AMOUNT CALCULATED IN ACCORDANCE TO ARTICLE 6.2.A.1.</i></p>	9) The amount of additional remuneration included in the personnel costs charged to the action was capped at EUR 8,000 per FTE/year (up to the equivalent pro-rata amount if the person did not work on the action full-time during the year or did not work exclusively on the action).	
	<p><i>Additional procedures in case "unit costs calculated by the Beneficiary in accordance with its usual cost accounting practices" is applied:</i></p> <p>Apart from carrying out the procedures indicated above to confirm standard factual findings 1-5 and, if applicable, also 6-9, the Auditor carried out following procedures to confirm standard factual findings 10-13 listed in the next column:</p>	10) The personnel costs included in the Financial Statement were calculated in accordance with the Beneficiary's usual cost accounting practice. This methodology was consistently used in all H2020 actions.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<ul style="list-style-type: none"> o obtained a description of the Beneficiary's usual cost accounting practice to calculate unit costs; o reviewed whether the Beneficiary's usual cost accounting practice was applied for the Financial Statements subject of the present CFS; o verified the employees included in the sample were charged under the correct category (in accordance with the criteria used by the Beneficiary to establish personnel categories) by reviewing the contract/HR-record or analytical accounting records; o verified that there is no difference between the total amount of personnel costs used in calculating the cost per unit and the total amount of personnel costs recorded in the statutory accounts; o verified whether actual personnel costs were adjusted on the basis of budgeted or estimated elements and, if so, verified whether those elements used are actually relevant for the calculation, objective and supported by documents. 	11) The employees were charged under the correct category.	
		12) Total personnel costs used in calculating the unit costs were consistent with the expenses recorded in the statutory accounts.	
		13) Any estimated or budgeted element used by the Beneficiary in its unit-cost calculation were relevant for calculating personnel costs and corresponded to objective and verifiable information.	
	<p><u>For natural persons included in the sample and working with the Beneficiary under a direct contract other than an employment contract, such as consultants (no subcontractors).</u></p> <p>To confirm standard factual findings 14-17 listed in the next column the Auditor reviewed following information/documents provided by the Beneficiary:</p> <ul style="list-style-type: none"> o the contracts, especially the cost, contract duration, work description, place of work, ownership of the results and reporting obligations to the Beneficiary; 	14) The natural persons worked under conditions similar to those of an employee, in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<ul style="list-style-type: none"> the employment conditions of staff in the same category to compare costs and; any other document that supports the costs declared and its registration (e.g. invoices, accounting records, etc.). 		
		15) The results of work carried out belong to the Beneficiary, or, if not, the Beneficiary has obtained all necessary rights to fulfil its obligations as if those results were generated by itself.	
		16) Their costs were not significantly different from those for staff who performed similar tasks under an employment contract with the Beneficiary.	
		17) The costs were supported by audit evidence and registered in the accounts.	
	<u>For personnel seconded by a third party and included in the sample (not subcontractors)</u>	18) Seconded personnel reported to the Beneficiary and worked on the Beneficiary's premises	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	To confirm standard factual findings 18-21 listed in the next column, the Auditor reviewed following information/documents provided by the Beneficiary:	(unless otherwise agreed with the Beneficiary).	
	<ul style="list-style-type: none"> o their secondment contract(s) notably regarding costs, duration, work description, place of work and ownership of the results; o if there is reimbursement by the Beneficiary to the third party for the resource made available (in-kind contribution against payment): any documentation that supports the costs declared (e.g. contract, invoice, bank payment, and proof of registration in its accounting/payroll, etc.) and reconciliation of the Financial Statement(s) with the accounting system (project accounting and general ledger) as well as any proof that the amount invoiced by the third party did not include any profit; o if there is no reimbursement by the Beneficiary to the third party for the resource made available (in-kind contribution free of charge): a proof of the actual cost borne by the Third Party for the resource made available free of charge to the Beneficiary such as a statement of costs incurred by the Third Party and proof of the registration in the Third Party's accounting/payroll; o any other document that supports the costs declared (e.g. invoices, etc.). 	<p>19) The results of work carried out belong to the Beneficiary, or, if not, the Beneficiary has obtained all necessary rights to fulfil its obligations as if those results were generated by itself.</p> <p><i>If personnel is seconded against payment:</i></p> <p>20) The costs declared were supported with documentation and recorded in the Beneficiary's accounts. The third party did not include any profit.</p> <p><i>If personnel is seconded free of charge:</i></p> <p>21) The costs declared did not exceed the third party's cost as recorded in the accounts of the</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
		third party and were supported with documentation.	
A.2	PRODUCTIVE HOURS To confirm standard factual findings 22-27 listed in the next column, the Auditor reviewed relevant documents, especially national legislation, labour agreements and contracts and time records of the persons included in the sample, to verify that: <ul style="list-style-type: none"> the annual productive hours applied were calculated in accordance with one of the methods described below, the full-time equivalent (FTEs) ratios for employees not working full-time were correctly calculated. If the Beneficiary applied method B, the auditor verified that the correctness in which the total number of hours worked was calculated and that the contracts specified the annual workable hours. If the Beneficiary applied method C, the auditor verified that the 'annual productive hours' applied when calculating the hourly rate were equivalent to at least 90 % of the 'standard annual workable	22) The Beneficiary applied method <i>[choose one option and delete the others]</i> [A: 1720 hours] [B: the 'total number of hours worked'] [C: 'standard annual productive hours' used correspond to usual accounting practices]	
		23) Productive hours were calculated annually.	
		24) For employees not working full-time the full-time equivalent (FTE) ratio was correctly applied.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>hours'. The Auditor can only do this if the calculation of the standard annual workable hours can be supported by records, such as national legislation, labour agreements, and contracts.</p> <p><i>BENEFICIARY'S PRODUCTIVE HOURS' FOR PERSONS WORKING FULL TIME SHALL BE ONE OF THE FOLLOWING METHODS:</i></p> <p>A. 1720 ANNUAL PRODUCTIVE HOURS (PRO-RATA FOR PERSONS NOT WORKING FULL-TIME)</p> <p>B. THE TOTAL NUMBER OF HOURS WORKED BY THE PERSON FOR THE BENEFICIARY IN THE YEAR (THIS METHOD IS ALSO REFERRED TO AS 'TOTAL NUMBER OF HOURS WORKED' IN THE NEXT COLUMN). THE CALCULATION OF THE TOTAL NUMBER OF HOURS WORKED WAS DONE AS FOLLOWS: ANNUAL WORKABLE HOURS OF THE PERSON ACCORDING TO THE EMPLOYMENT CONTRACT, APPLICABLE LABOUR AGREEMENT OR NATIONAL LAW PLUS OVERTIME WORKED MINUS ABSENCES (SUCH AS SICK LEAVE OR SPECIAL LEAVE).</p> <p>C. THE STANDARD NUMBER OF ANNUAL HOURS GENERALLY APPLIED BY THE BENEFICIARY FOR ITS PERSONNEL IN ACCORDANCE WITH ITS USUAL COST ACCOUNTING PRACTICES (THIS METHOD IS ALSO REFERRED TO AS 'STANDARD ANNUAL PRODUCTIVE HOURS' IN THE NEXT COLUMN). THIS NUMBER MUST BE AT LEAST 90% OF THE STANDARD ANNUAL WORKABLE HOURS.</p> <p><i>'ANNUAL WORKABLE HOURS' MEANS THE PERIOD DURING WHICH THE PERSONNEL MUST BE WORKING, AT THE EMPLOYER'S DISPOSAL AND CARRYING OUT HIS/HER ACTIVITY OR DUTIES UNDER THE EMPLOYMENT CONTRACT, APPLICABLE COLLECTIVE LABOUR AGREEMENT OR NATIONAL WORKING TIME LEGISLATION.</i></p>	<p><i>If the Beneficiary applied method B.</i></p> <p>25) The calculation of the number of 'annual workable hours', overtime and absences was verifiable based on the documents provided by the Beneficiary.</p> <p>25.1) The Beneficiary calculates the hourly rates per full financial year following procedure A.3 (method B is not allowed for beneficiaries calculating hourly rates per month).</p>	
		<p><i>If the Beneficiary applied method C.</i></p> <p>26) The calculation of the number of 'standard annual workable hours' was verifiable based on the documents provided by the Beneficiary.</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
		27) The 'annual productive hours' used for calculating the hourly rate were consistent with the usual cost accounting practices of the Beneficiary and were equivalent to at least 90 % of the 'annual workable hours'.	
A.3	<p>HOURLY PERSONNEL RATES</p> <p><u>I) For unit costs calculated in accordance to the Beneficiary's usual cost accounting practice (unit costs):</u></p> <p>If the Beneficiary has a "Certificate on Methodology to calculate unit costs " (CoMUC) approved by the Commission, the Beneficiary provides the Auditor with a description of the approved methodology and the Commission's letter of acceptance. The Auditor verified that the Beneficiary has indeed used the methodology approved. If so, no further verification is necessary.</p> <p>If the Beneficiary does not have a "Certificate on Methodology" (CoMUC) approved by the Commission, or if the methodology approved was not applied, then the Auditor:</p> <ul style="list-style-type: none"> o reviewed the documentation provided by the Beneficiary, including manuals and internal guidelines that explain how to calculate hourly rates; o recalculated the unit costs (hourly rates) of staff included in the sample following the results of the procedures carried out in A.1 and A.2. 	<p>28) The Beneficiary applied [<i>choose one option and delete the other</i>]:</p> <p>[Option I: "Unit costs (hourly rates) were calculated in accordance with the Beneficiary's usual cost accounting practices"]</p> <p>[Option II: Individual hourly rates were applied]</p> <p><i>For option I concerning unit costs and if the Beneficiary applies the methodology approved by the Commission (CoMUC):</i></p> <p>29) The Beneficiary used the Commission-approved</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p><u>II) For individual hourly rates:</u></p> <p>The Auditor:</p> <ul style="list-style-type: none"> o reviewed the documentation provided by the Beneficiary, including manuals and internal guidelines that explain how to calculate hourly rates; o recalculated the hourly rates of staff included in the sample (recalculation of all hourly rates if the Beneficiary uses annual rates, recalculation of three months selected randomly for every year and person if the Beneficiary uses monthly rates) following the results of the procedures carried out in A.1 and A.2; o (only in case of monthly rates) confirmed that the time spent on parental leave is not deducted, and that, if parts of the basic remuneration are generated over a period longer than a month, the Beneficiary has included only the share which is generated in the month. <p><u>“UNIT COSTS CALCULATED BY THE PARTNER IN ACCORDANCE WITH ITS USUAL COST ACCOUNTING PRACTICES”:</u> <i>IT IS CALCULATED BY DIVIDING THE TOTAL AMOUNT OF PERSONNEL COSTS OF THE CATEGORY TO WHICH THE EMPLOYEE BELONGS VERIFIED IN LINE WITH PROCEDURE A.1 BY THE NUMBER OF FTE AND THE ANNUAL TOTAL PRODUCTIVE HOURS OF THE SAME CATEGORY CALCULATED BY THE BENEFICIARY IN ACCORDANCE WITH PROCEDURE A.2.</i></p> <p><u>HOURLY RATE FOR INDIVIDUAL ACTUAL PERSONAL COSTS:</u> <i>IT IS CALCULATED FOLLOWING ONE OF THE TWO OPTIONS BELOW:</i></p> <p>A) [OPTION BY DEFAULT] BY DIVIDING THE ACTUAL ANNUAL AMOUNT OF PERSONNEL COSTS OF AN EMPLOYEE VERIFIED IN LINE WITH PROCEDURE A.1 BY THE NUMBER OF ANNUAL PRODUCTIVE HOURS VERIFIED IN LINE WITH PROCEDURE A.2. (FULL FINANCIAL YEAR HOURLY RATE);</p>	<p>methodology to calculate hourly rates. It corresponded to the organisation's usual cost accounting practices and was applied consistently for all activities irrespective of the source of funding.</p> <p><i>For option I concerning unit costs and if the Beneficiary applies a methodology not approved by the Commission:</i></p> <p>30) The unit costs re-calculated by the Auditor were the same as the rates applied by the Beneficiary.</p> <p><i>For option II concerning individual hourly rates:</i></p> <p>31) The individual rates re-calculated by the Auditor were the same as the rates applied by the Beneficiary.</p> <p>31.1) The Beneficiary used only one option (per full financial year or</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	B) BY DIVIDING THE MONTHLY AMOUNT OF PERSONNEL COSTS OF AN EMPLOYEE VERIFIED IN LINE WITH PROCEDURE A.1 BY 1/12 OF THE NUMBER OF ANNUAL PRODUCTIVE HOURS VERIFIED IN LINE WITH PROCEDURE A.2.(MONTHLY HOURLY RATE).	per month) throughout each financial year examined. 31.2) The hourly rates do not include additional remuneration.	
A.4	TIME RECORDING SYSTEM To verify that the time recording system ensures the fulfilment of all minimum requirements and that the hours declared for the action were correct, accurate and properly authorised and supported by documentation, the Auditor made the following checks for the persons included in the sample that declare time as worked for the action on the basis of time records: <ul style="list-style-type: none"> o description of the time recording system provided by the Beneficiary (registration, authorisation, processing in the HR-system); o its actual implementation; o time records were signed at least monthly by the employees (on paper or electronically) and authorised by the project manager or another manager; o the hours declared were worked within the project period; o there were no hours declared as worked for the action if HR-records showed absence due to holidays or sickness (further cross-checks with travels are carried out in B.1 below); o the hours charged to the action matched those in the time recording system. 	32) All persons recorded their time dedicated to the action on a daily/ weekly/ monthly basis using a paper/computer-based system. <i>(delete the answers that are not applicable)</i>	
		33) Their time-records were authorised at least monthly by the project manager or other superior.	
		34) Hours declared were worked within the project period and were consistent with the presences/absences recorded in HR-records.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p><i>ONLY THE HOURS WORKED ON THE ACTION CAN BE CHARGED. ALL WORKING TIME TO BE CHARGED SHOULD BE RECORDED THROUGHOUT THE DURATION OF THE PROJECT, ADEQUATELY SUPPORTED BY EVIDENCE OF THEIR REALITY AND RELIABILITY (SEE SPECIFIC PROVISIONS BELOW FOR PERSONS WORKING EXCLUSIVELY FOR THE ACTION WITHOUT TIME RECORDS).</i></p>	35) There were no discrepancies between the number of hours charged to the action and the number of hours recorded.	
	<p><u>If the persons are working exclusively for the action and without time records</u></p> <p>For the persons selected that worked exclusively for the action without time records, the Auditor verified evidence available demonstrating that they were in reality exclusively dedicated to the action and that the Beneficiary signed a declaration confirming that they have worked exclusively for the action.</p>	36) The exclusive dedication is supported by a declaration signed by the Beneficiary and by any other evidence gathered.	
B	COSTS OF SUBCONTRACTING		
B.1	<p>The Auditor obtained the detail/breakdown of subcontracting costs and sampled cost items selected randomly <i>(full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest).</i></p> <p>To confirm standard factual findings 37-41 listed in the next column, the Auditor reviewed the following for the items included in the sample:</p>	37) The use of claimed subcontracting costs was foreseen in Annex 1 and costs were declared in the Financial Statements under the subcontracting category.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<ul style="list-style-type: none"> the use of subcontractors was foreseen in Annex 1; subcontracting costs were declared in the subcontracting category of the Financial Statement; supporting documents on the selection and award procedure were followed; the Beneficiary ensured best value for money (key elements to appreciate the respect of this principle are the award of the subcontract to the bid offering best price-quality ratio, under conditions of transparency and equal treatment. In case an existing framework contract was used the Beneficiary ensured it was established on the basis of the principle of best value for money under conditions of transparency and equal treatment). In case subcontracts above 60 000 EUR, three quotes were requested as a minimum by the Beneficiary <p>In particular,</p> <ul style="list-style-type: none"> i. if the Beneficiary acted as a contracting authority within the meaning of Directive 2004/18/EC (or 2014/24/EU) or of Directive 2004/17/EC (or 2014/25/EU), the Auditor verified that the applicable national law on public procurement was followed and that the subcontracting complied with the Terms and Conditions of the Agreement. 	<p>38) There were documents of requests to different providers, different offers and assessment of the offers before selection of the provider in line with internal procedures and procurement rules. Subcontracts were awarded in accordance with the principle of best value for money.</p> <p><i>(When different offers were not collected the Auditor explains the reasons provided by the Beneficiary under the caption "Exceptions" of the Report. The EIT will analyse this information to evaluate whether these costs might be accepted as eligible)</i></p>	
		<p>39) The subcontracts were not awarded to other Beneficiaries of the consortium.</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>ii. if the Beneficiary did not fall under the above-mentioned category the Auditor verified that the Beneficiary followed their usual procurement rules and respected the Terms and Conditions of the Agreement..</p> <p>For the items included in the sample the Auditor also verified that:</p> <ul style="list-style-type: none"> o the subcontracts were not awarded to other Beneficiaries in the consortium; o there were signed agreements between the Beneficiary and the subcontractor; o there was evidence that the services were provided by subcontractor; 	<p>40) All subcontracts were supported by signed agreements between the Beneficiary and the subcontractor.</p>	
		<p>41) There was evidence that the services were provided by the subcontractors.</p>	
C	COSTS OF PROVIDING FINANCIAL SUPPORT TO THIRD PARTIES		
C.1	<p>The Auditor obtained the detail/breakdown of the costs of providing financial support to third parties and sampled cost items selected randomly (full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest).</p> <p>The Auditor verified that the following minimum conditions were met:</p> <ul style="list-style-type: none"> a) the maximum amount of financial support for each third party did not exceed EUR 60 000, unless explicitly mentioned in Annex 1; b) the financial support to third parties was agreed in Annex 1 of the Agreement and the other provisions on financial support to third parties included in Annex 1 were respected. 	<p>42) All minimum conditions were met</p>	

D	OTHER ACTUAL DIRECT COSTS		
D.1	COSTS OF TRAVEL AND RELATED SUBSISTENCE ALLOWANCES The Auditor sampled [] cost items selected randomly (<i>full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is the highest</i>). The Auditor inspected the sample and verified that: <ul style="list-style-type: none"> o travel and subsistence costs were consistent with the Beneficiary's usual policy for travel. In this context, the Beneficiary provided evidence of its normal policy for travel costs (e.g. use of first class tickets, reimbursement by the Beneficiary on the basis of actual costs, a lump sum or per diem) to enable the Auditor to compare the travel costs charged with this policy; o travel costs are correctly identified and allocated to the action (e.g. trips are directly linked to the action) by reviewing relevant supporting documents such as minutes of meetings, workshops or conferences, their registration in the correct project account, their consistency with time records or with the dates/duration of the workshop/conference; o no ineligible costs or excessive or reckless expenditure was declared (see Article 6.5 GA). 	43) Costs were incurred, approved and reimbursed in line with the Beneficiary's usual policy for travels.	
		44) There was a link between the trip and the action.	
		45) The supporting documents were consistent with each other regarding subject of the trip, dates, duration and reconciled with time records and accounting.	
		46) No ineligible costs or excessive or reckless expenditure was declared.	
D.2	DEPRECIATION COSTS FOR EQUIPMENT, INFRASTRUCTURE OR OTHER ASSETS The Auditor sampled [] cost items selected randomly (<i>full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is the highest</i>). For "equipment, infrastructure or other assets" [from now on called "asset(s)"] selected in the sample the Auditor verified that:	47) Procurement rules, principles and guides were followed.	
		48) There was a link between the grant agreement and the asset charged to the action.	

	<ul style="list-style-type: none"> o the assets were acquired in conformity with the Beneficiary's internal guidelines and procedures; o they were correctly allocated to the action (with supporting documents such as delivery note invoice or any other proof demonstrating the link to the action) o they were entered in the accounting system; o the extent to which the assets were used for the action (as a percentage) was supported by reliable documentation (e.g. usage overview table); <p>The Auditor recalculated the depreciation costs and verified that they were in line with the applicable rules in the Beneficiary's country and with the Beneficiary's usual accounting policy (e.g. depreciation calculated on the acquisition value).</p> <p>The Auditor verified that no ineligible costs such as deductible VAT, exchange rate losses, excessive or reckless expenditure were declared (see Article 6.5 GA).</p>	49) The asset charged to the action was traceable to the accounting records and the underlying documents.	
		50) The depreciation method used to charge the asset to the action was in line with the applicable rules of the Beneficiary's country and the Beneficiary's usual accounting policy.	
		51) The amount charged corresponded to the actual usage for the action.	
		52) No ineligible costs or excessive or reckless expenditure were declared.	
D.3	<p>COSTS OF OTHER GOODS AND SERVICES</p> <p>The Auditor sampled cost items selected randomly (<i>full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest</i>).</p> <p>For the purchase of goods, works or services included in the sample the Auditor verified that:</p> <ul style="list-style-type: none"> o the contracts did not cover tasks described in Annex 1; 	53) Contracts for works or services did not cover tasks described in Annex 1.	
		54) Costs were allocated to the correct action and the goods were not placed in the inventory of durable equipment.	

	<ul style="list-style-type: none"> ○ they were correctly identified, allocated to the proper action, entered in the accounting system (traceable to underlying documents such as purchase orders, invoices and accounting); ○ the goods were not placed in the inventory of durable equipment; ○ the costs charged to the action were accounted in line with the Beneficiary's usual accounting practices; ○ no ineligible costs or excessive or reckless expenditure were declared (see Article 6 GA). <p>In addition, the Auditor verified that these goods and services were acquired in conformity with the Beneficiary's internal guidelines and procedures, in particular:</p> <ul style="list-style-type: none"> ○ if Beneficiary acted as a contracting authority within the meaning of Directive 2004/18/EC (or 2014/24/EU) or of Directive 2004/17/EC (or 2014/25/EU), the Auditor verified that the applicable national law on public procurement was followed and that the procurement contract complied with the Terms and Conditions of the Agreement. ○ if the Beneficiary did not fall into the category above, the Auditor verified that the Beneficiary followed their usual procurement rules and respected the Terms and Conditions of the Agreement. <p>For the items included in the sample the Auditor also verified that:</p> <ul style="list-style-type: none"> ○ the Beneficiary ensured best value for money (key elements to appreciate the respect of this principle are the award of the contract to the bid offering best price-quality ratio, under conditions of transparency and equal treatment. In case an existing framework contract was used the Auditor also verified that the Beneficiary ensured it was established on the basis of the principle of best value for money under conditions of transparency and equal treatment); 	55) The costs were charged in line with the Beneficiary's accounting policy and were adequately supported.	
		56) No ineligible costs or excessive or reckless expenditure were declared. For internal invoices/charges only the cost element was charged, without any mark-ups.	
		57) Procurement rules, principles and guides were followed. There were documents of requests to different providers, different offers and assessment of the offers before selection of the provider in line with internal procedures and procurement rules. The purchases were made in accordance with the principle of best value for money. <i>(When different offers were not collected the Auditor explains the reasons provided by the Beneficiary under the caption</i>	

	<i>SUCH GOODS AND SERVICES INCLUDE, FOR INSTANCE, CONSUMABLES AND SUPPLIES, DISSEMINATION (INCLUDING OPEN ACCESS), PROTECTION OF RESULTS, SPECIFIC EVALUATION OF THE ACTION IF IT IS REQUIRED BY THE AGREEMENT, CERTIFICATES ON THE FINANCIAL STATEMENTS IF THEY ARE REQUIRED BY THE AGREEMENT AND CERTIFICATES ON THE METHODOLOGY, TRANSLATIONS, REPRODUCTION.</i>	<i>“Exceptions” of the Report. The EIT will analyse this information to evaluate whether these costs might be accepted as eligible)</i>	
D.4	<p>AGGREGATED CAPITALISED AND OPERATING COSTS OF RESEARCH INFRASTRUCTURE</p> <p>The Auditor ensured the existence of a positive ex-ante assessment (issued by the EC Services) of the cost accounting methodology of the Beneficiary allowing it to apply the guidelines on direct costing for large research infrastructures in Horizon 2020.</p> <p><i>In the cases that a positive ex-ante assessment has been issued (see the standard factual findings 58-59 on the next column),</i></p> <p>The Auditor ensured that the beneficiary has applied consistently the methodology that is explained and approved in the positive ex ante assessment;</p> <p><i>In the cases that a positive ex-ante assessment has NOT been issued (see the standard factual findings 60 on the next column),</i></p> <p>The Auditor verified that no costs of Large Research Infrastructure have been charged as direct costs in any costs category;</p> <p><i>In the cases that a draft ex-ante assessment report has been issued with recommendation for further changes (see the standard factual findings 60 on the next column),</i></p> <ul style="list-style-type: none"> The Auditor followed the same procedure as above (when a positive ex-ante assessment has NOT yet been issued) and paid particular attention (testing reinforced) to the cost items for 	<p>58) The costs declared as direct costs for Large Research Infrastructures (in the appropriate line of the Financial Statement) comply with the methodology described in the positive ex-ante assessment report.</p> <p>59) Any difference between the methodology applied and the one positively assessed was extensively described and adjusted accordingly.</p> <p>60) The direct costs declared were free from any indirect costs items related to the Large Research Infrastructure.</p>	

	which the draft ex-ante assessment either rejected the inclusion as direct costs for Large Research Infrastructures or issued recommendations.		
D.5	Costs of internally invoiced goods and services The Auditor sampled cost items selected randomly (<i>full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest</i>). To confirm standard factual findings 61-65 listed in the next column, the Auditor: <ul style="list-style-type: none"> o obtained a description of the Beneficiary's usual cost accounting practice to calculate costs of internally invoiced goods and services (unit costs); o reviewed whether the Beneficiary's usual cost accounting practice was applied for the Financial Statements subject of the present CFS; o ensured that the methodology to calculate unit costs is being used in a consistent manner, based on objective criteria, regardless of the source of funding; o verified that any ineligible items or any costs claimed under other budget categories, in particular indirect costs, have not been taken into account when calculating the costs of internally invoiced goods and services (see Article 6 GA); o verified whether actual costs of internally invoiced goods and services were adjusted on the basis of budgeted or estimated elements and, if so, verified whether those elements 	61) The costs of internally invoiced goods and services included in the Financial Statement were calculated in accordance with the Beneficiary's usual cost accounting practice.	
		62) The cost accounting practices used to calculate the costs of internally invoiced goods and services were applied by the Beneficiary in a consistent manner based on objective criteria regardless of the source of funding.	
		63) The unit cost is calculated using the actual costs for the good or service recorded in the Beneficiary's accounts, excluding any ineligible cost or costs included in other budget categories.	

	<p>used are actually relevant for the calculation, and correspond to objective and verifiable information.</p> <ul style="list-style-type: none"> o verified that any costs of items which are not directly linked to the production of the invoiced goods or service (e.g. supporting services like cleaning, general accountancy, administrative support, etc. not directly used for production of the good or service) have not been taken into account when calculating the costs of internally invoiced goods and services. o verified that any costs of items used for calculating the costs internally invoiced goods and services are supported by audit evidence and registered in the accounts. 	<p>64) The unit cost excludes any costs of items which are not directly linked to the production of the invoiced goods or service.</p>	
		<p>65) The costs items used for calculating the actual costs of internally invoiced goods and services were relevant, reasonable and correspond to objective and verifiable information.</p>	
E	USE OF EXCHANGE RATES		
E.1	<p>a) For Beneficiaries with accounts established in a currency other than euros</p> <p>The Auditor sampled [REDACTED] cost items selected randomly and verified that the exchange rates used for converting other currencies into euros were in accordance with the following rules established in the Agreement (full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest):</p> <p><i>COSTS RECORDED IN THE ACCOUNTS IN A CURRENCY OTHER THAN EURO SHALL BE CONVERTED INTO EURO AT THE AVERAGE OF THE DAILY EXCHANGE RATES PUBLISHED IN THE C SERIES OF OFFICIAL JOURNAL OF THE EUROPEAN UNION (https://www.ecb.int/stats/exchange/eurofxref/html/index.en.html), DETERMINED OVER THE CORRESPONDING REPORTING PERIOD.</i></p> <p><i>IF NO DAILY EURO EXCHANGE RATE IS PUBLISHED IN THE OFFICIAL JOURNAL OF THE EUROPEAN UNION FOR THE CURRENCY IN QUESTION, CONVERSION SHALL BE MADE AT THE AVERAGE OF THE MONTHLY ACCOUNTING RATES ESTABLISHED BY THE COMMISSION AND PUBLISHED ON ITS WEBSITE</i></p>	<p>66) The exchange rates used to convert other currencies into Euros were in accordance with the rules established of the Grant Agreement and there was no difference in the final figures.</p>	

	<p>(http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm), DETERMINED OVER THE CORRESPONDING REPORTING PERIOD.</p>		
	<p>b) For Beneficiaries with accounts established in euros</p> <p>The Auditor sampled [REDACTED] cost items selected randomly and verified that the exchange rates used for converting other currencies into euros were in accordance with the following rules established in the Agreement (full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest):</p> <p>COSTS INCURRED IN ANOTHER CURRENCY SHALL BE CONVERTED INTO EURO BY APPLYING THE BENEFICIARY'S USUAL ACCOUNTING PRACTICES.</p>	<p>67) The Beneficiary applied its usual accounting practices.</p>	

[legal name of the audit firm]

[name and function of an authorised representative]

[dd Month yyyy]

<Signature of the Auditor>

ANNEX 6

ADDITIONAL INFORMATION ON THE ESTIMATED BUDGET

➤ Options are [in square brackets]

Unit cost for SME owners/natural beneficiaries without salary

1. Costs for a [SME owner]/[beneficiary that is a natural person] not receiving a salary

Units: hours worked on the action

Cost Amount per unit ('hourly rate'): calculated according to the following formula:

{ EUR 4,880 / 143 hours}
multiplied by
{country-specific correction coefficient of the country where the partner is established}

Country-specific correction coefficient (in force at the time of the call):

EU Member States

countr y	coefficient	countr y	coefficient	countr y	coefficient	countr y	coefficient	country	coefficient
AT	106.7%	DK	135.0 %	HR	83.9%	LV	77.7%	SE	121.8%
BE	100.0%	EE	79.4%	HU	77.4%	MT	84.4%	SI	86.1%
BG	62.0%	EL	88.7%	IE	115.6%	NL	107.9%	SK	80.4%
CY	82.6%	ES	95.4%	IT	104.4%	PL	75.5%	UK	139.83%
CZ	81.78%	FI	120.8%	LT	72.5%	PT	84.2%		
DE	97.0%	FR	115.7%	LU	100.0%	RO	68.8%		

H2020 associated countries

country	coefficient	country	coefficient	country	coefficient	country	coefficient
AL	65.3%	FO	135.0%	MD	62.01%	RS	67.3%
AM	75.4%	GE	75.3%	ME	64.8%	TN	67.5%
BA	69.0%	IL	106.1%	MK	60.0%	TR	82.1%
CH	121.2%	IS	115.3%	NO	130.6%	UA	70.8%

Other countries

country	coefficient	country	coefficient	country	coefficient	country	coefficient	country	coefficient
AE	91.5%	CR	82.1%	JP	105.5%	NC	117.2%	TD	117.8%
AO	128.1%	CU	78.6%	KE	81.5%	NE	84.8%	TG	84.4%
AR	65.6%	CV	71.7%	KG	80.3%	NG	92.6%	TH	71.6%
AU	104.4%	DJ	86.5%	KH	74.5%	NI	56.5%	TJ	62.2%
AZ	88.3%	DO	62.9%	KM	69.1%	NP	77.0%	TL	89.4%
BB	112.5%	DZ	74.0%	KR	97.6%	NZ	99.4%	TM	63.4%

Grant Agreement number: SUGA [year][KIC NAME]

BD	61.1%	EC	75.5%	KZ	81.9%	PA	63.2%	TO	85.0%
BF	96.6%	EG	57.9%	LA	89.2%	PE	80.2%	TT	81.0%
BI	74.2%	ER	98.9%	LB	86.3%	PG	101.5%	TW	82.7%
BJ	97.0%	ET	85.1%	LI	121.2%	PH	73.4%	TZ	65.4%
BM	151.5%	FJ	68.1%	LK	69.9%	PK	51.9%	UG	70.5%
BO	67.5%	GA	107.8%	LR	111.1%	PS	110.8%	US	99.1%
BR	97.9%	GH	64.1%	LS	48.3%	PY	69.0%	UY	84.3%
BW	51.7%	GM	69.0%	LY	57.6%	RU	105.4%	UZ	66.5%
BY	59.5%	GN	73.7%	MA	75.4%	RW	82.5%	VE	90.2%
BZ	77.0%	GT	82.6%	MG	86.0%	SA	80.8%	VN	53.3%
CA	87.8%	GW	96.6%	ML	94.4%	SB	107.4%	VU	108.0%
CD	137.4%	GY	62.2%	MM	65.5%	SD	99.7%	WS	83.0%
CF	108.6%	HK	100.4%	MR	62.5%	SG	113.0%	XK	65.5%
CG	120.6%	HN	73.4%	MU	74.4%	SL	106.8%	YE	81.1%
CI	98.3%	HT	94.6%	MW	68.0%	SN	94.7%	ZA	50.8%
CL	58.9%	ID	69.8%	MX	67.1%	SR	56.0%	ZM	77.4%
CM	96.0%	IN	63.4%	MY	68.8%	SV	69.6%	ZW	91.8%
CN	91.7%	JM	92.0%	MZ	71.5%	SY	77.2%		
CO	77.9%	JO	86.5%	NA	61.4%	SZ	53.5%		

[additional OPTION for beneficiaries/linked third parties that have opted to use the unit cost (in the proposal/with an amendment): For the following beneficiaries/linked third parties, the amounts per unit (hourly rate) are fixed as follows:

- Beneficiary/linked third party [short name]: EUR [insert amount]
 - Beneficiary/linked third party [short name]: EUR [insert amount]
- [same for other beneficiaries/linked third parties, if necessary]]

Estimated number of units: see Annex 2

List of third parties linked to the Coordinator or Partners
in accordance with Article 14 of the SUGA

KIC CODE	FPA Status	Full Official Name	Short Name	VAT	Legal Type	SME ¹	AREA ²	Street	City	Zip	Country	Website	Linked To	Nature of Link ³	Eligibili- ty period (start)	Eligibilit- y period (end)

¹ Please refer to the definition of the EC: http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm

² Either "Business", "Cities, Regions, NGOs", "Research", "Higher Education", "KIC LE & CLC" and "Others"

³ For the definition see Article 2.1(2) Rules for Participation Regulation No 1290/2013: 'affiliated entity' means any legal entity that is:

- under the direct or indirect control of a participant, or
- under the same direct or indirect control as the participant, or
- directly or indirectly controlling a participant.

'Control' may take any of the following forms:

(a) the direct or indirect holding of more than 50% of the nominal value of the issued share capital in the legal entity concerned, or of a majority of the voting rights of the shareholders or associates of that entity;

(b) the direct or indirect holding, in fact or in law, of decision-making powers in the legal entity concerned.

However, the following relationships between legal entities shall not in themselves constitute controlling relationships:

(a) the same public investment corporation, institutional investor or venture-capital company has a direct or indirect holding of more than 50% of the nominal value of the issued share capital or a majority of voting rights of the shareholders or associates;

(b) the legal entities concerned are owned or supervised by the same public body.

'Third party with a legal link to a beneficiary' is any legal entity which has a legal link to the beneficiary implying collaboration that is not limited to the action.

Individual evaluation report/consensus report

This is a mock-up of the individual evaluation report form or the consensus report form. The actual forms will be integrated within the SEP evaluation system

INTERPRETATION OF SCORES¹

0-5	Scores interpretation
0	The proposal does not meet the criterion at all or cannot be assessed due to missing or incomplete information;
1	Poor – serious weaknesses
2	Fair – goes some way to meeting the criterion, but with significant weaknesses
3	Good – but with a number of shortcomings
4	Very good – but with a small number of shortcomings
5	Excellent – meets criterion in every relevant respect. Any shortcomings are minor

Note:

Proposals should be evaluated as they were submitted, rather than on their potential if certain changes were to be made. Therefore, do not recommend significant modifications (e.g. consortia composition, resources or budget). Such shortcomings must instead be reflected in lower scores.

¹ Scoring for each criterion must be consistent with comments. The comments must give sufficient and clear reasons for the scores. The whole range of scores should be used.

Indicative list of evaluation questions:

- Is the strategic approach (vision, mission, strategic goals and proposed KPIs) relevant and aligned with the objectives and scope (thematic area) of the Call?
- Are the strategic objectives sufficiently specific and formulated according to the SMART principles (specific, measurable, achievable, relevant and time dependent)??
- Is the strategic approach feasible?
- Is the Knowledge Triangle properly incorporated?
- Is the proposed approach to applying the KIC model suitable for tackling societal challenge(s) and bringing a structural (long-lasting and sustainable) impact?

2

Indicative list of evaluation questions:

- Comments (max. 4000 characters):

Strengths:

Weaknesses:

1.2. Max points: 15
(Score 0-5 points;
weighting 3)

1.3. SYNERGIES - Demonstrate value added and readiness to establish concrete synergies and complementarities, positioning of the KIC vis-à-vis other relevant public, private and third sector initiatives at EU and other levels.

Indicative list of evaluation questions:

- Does the proposal demonstrate readiness to establish concrete synergies and complementarities with EU and other relevant global or national/regional initiatives? Is a list of potential synergies provided in the proposal?
- Is the added value of the synergies and complementarities defined and demonstrated?
- Has the applicant provided an open view of a risk of potential overlaps that would need to be regulated?

<p><u>Comments (max. 4000 characters):</u></p> <p>Strengths:</p> <p>Weaknesses:</p>	<p>1.3. Max points: 10 (Score 0-5 points; weighting 2)</p>
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2.1 OPERATIONS - The quality of the KIC leadership team profiles (management and governance teams); effectiveness of the operational structure including selection and connectivity of co-location centres and demonstration how the Knowledge Triangle Integration approach will be implemented on the operational level.

Indicative list of evaluation questions at the proposal evaluation stage:

- Do outlined activities clearly and effectively contribute to strategic objectives and include measurable KPIs?
- Can the presented operational model ensure the effective implementation of the KIC model (with a focus on the Knowledge Triangle integration) and its operations?
- Does the number of co-location centres (CLCs) exceed five? Do they contribute to geographic diversity of EIT?
- Does the proposal include a plan for the CLCs and a description of their role, structure, location and key activities? How will connectivity among the CLCs be ensured?
- Do the coverage and location of the CLCs respect the requirements presented in the Call?
- Does the proposal demonstrate how activities (education, research and business) will be integrated in the entrepreneurship-driven Knowledge Triangle?
- Does the proposal substantiate how the top manager/representatives of the partners will be involved in the KIC decision-making process, respecting the principles of good governance as defined by the EIT?
- What are the requirements identified in terms of quality and suitability of the proposed leadership team profiles? Do the profiles ensure wide diversity in the management and governance team, including a proper balance of skills and experience? Is a transparent and independent management team selection procedure presented in the proposal?
- How will the management team contribute to ensure effective decision making process over the KIC's strategy and business plan implementation?

<p><u>Comments (max. 4000 characters):</u></p> <p>Strengths:</p> <p>Weaknesses:</p>	<p>2.1. Max points: 10 (Score 0-5 points; weighting 2)</p>
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2.2. KIC BUSINESS MODEL AND FINANCIAL PLAN - Feasibility of the KIC's business model and financial plan (including EIT and non-EIT resources) for attracting financial resources and achieving financial sustainability in the long-term; a plan for the management and exploitation of intellectual property supporting the KIC's business model.

Indicative list of evaluation questions:

- Is the proposed KIC's business model clear, justified, feasible and consistent with the KIC's strategy? Is there a clear link between strategic objectives, plan of activities and the budget planned?
- Is a plan for the management cost and exploitation of intellectual property demonstrated?
- Are the EIT and non-EIT financial resources presented in a consistent and credible way in the medium to long-term? Is the financial plan consistent with the proposed KIC's business model?
- Is it realistic and feasible in order to achieve financial sustainability as proposed?
- Are the KIC's partners financially committed? Are the financial commitments (contributions) from partners' realistic (assessment also based on the Motivation and Commitment Declaration)?

<p><u>Comments (max. 4000 characters):</u></p> <p>Strengths:</p> <p>Weaknesses:</p>	<p>2.2. Max points: 10 (Score 0-5 points; weighting 2)</p>

3.1. IMPACT AND KIC SCOREBOARD - Planned pan-European impact on the societal challenge, human capital, job creation, economic growth demonstrated by the strategy; quality and relevance of the outreach (in particular EIT Regional Innovation Scheme); relevance and feasibility of the expected outcomes, outputs and Key Performance Indicators (KPIs) included in a KIC Scoreboard and their contribution to the EIT Scoreboard.

Indicative list of evaluation questions:

- Is the impact relevant in the context of the KIC's strategy and the EIT's Strategic Innovation Agenda?
- Are outputs/outcomes measurable and consistent with the KIC's activities?
- How will the impact on societal challenge, human capital, job creation and economic growth be monitored?
- Are the proposed EIT core key performance indicators (KPIs) aligned with the presented KIC strategic objectives and activities proposed?
- Are the KIC specific KPIs proposed based on a sound set of criteria? Are the KIC specific indicators aligned with the presented KIC strategic objectives and activities proposed?
- Are the expected impacts and KPIs ambitious enough but realistic and relevant as well?
- Are plans to contribute to the EIT's Regional Innovation Scheme presented in the proposal? Are they relevant and of good quality?

<p><u>Comments (max. 4000 characters):</u></p> <p>Strengths:</p> <p>Weaknesses:</p>	<p>3.1. Max points: 30 (Score 0-5 points; weighting 6)</p>

3.2. DISSEMINATION OF RESULTS AND COMMUNICATION - Dissemination plans for KIC results, including sharing good practices within, between and beyond the KICs, across EU Member States, regions and institutions to ensure a widening of the reach of the EIT and increase of its impact; quality and relevance of the KIC communication strategy including the contribution to building the EIT brand identity.

Indicative list of evaluation questions:

- Is the proposed communication strategy relevant and of high quality? Will it contribute to building the EIT Community brand identity?
- Is the proposed dissemination plan relevant and of high quality?
- Are the key goals and assumptions for the dissemination plans clearly defined?
- Do the applicants propose the relevant tools and channels to share good practices, within, between and beyond the KICs, across EU Member States, regions (also in regions with a lower innovation capacity) and institutions to ensure that the reach of the EIT is widened?

<p><u>Comments (max. 4000 characters):</u></p> <p>Strengths:</p> <p>Weaknesses:</p>	<p>3.2. Max points: 10 (Score 0-5 points; weighting 2)</p>
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TOTAL SCORE	1.1.+1.2.+1.3.+2.1.+2.2 +3.1.+3.2
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Comments (max. 4000 characters):

Summary of the evaluation (only for the Consensus Report and the Evaluation Summary Report)

Comments (max. 4000 characters):

Strengths:

1.

2.

3.

4.

5.

Weaknesses:

1.

2.

3.

4.

5.

EIT Core Key Performance Indicators (KPIs)

Area	Type (Result Chain)	EIT Core KPI	Code	Definition/Formula
Education	Output	# Graduates from EIT labelled MSc and PhD programmes	EITN01	Sum of graduates from EIT labelled Masters and EIT labelled PhD programmes in year N. Supporting evidences: list of the graduates including: names, contact details (e-mail address), gender and country of citizenship, indication of the educational programme. The list is to be confirmed by the KIC Education Director.
Education	Result/Impact	# Start-ups created by students enrolled and graduates from EIT labelled MSc and PhD programmes	EITN02	Sum of start-ups created by students enrolled and graduates from EIT labelled MSc and PhD programmes in year N. To be eligible, a start-up should be created during EIT labelled programme (by students) or within three years from the graduation (by graduates). Supporting evidences: <ul style="list-style-type: none"> - registration certificate, company's profile, contact details and gender of the CEO/owner; - document such as an invoice or an online sales record certifying the first financial transaction for a service/product sold to a customer, or a declaration of honour from a former student certifying the first commercial transaction with a reference to the customer.
Innovation	Output	# Products (goods or services) or processes launched on the market	EITN03	Number of innovations introduced to the market during the KAVA duration or within three years after completion thereof. By innovations we mean new or significantly improved products (goods or services) and processes sold. Innovations should be reported in the year when they were introduced on the market (but not later than

				<p>three years after completion of the KAVA).</p> <p>Supporting evidences:</p> <ul style="list-style-type: none"> - description of product or process with specified performance characteristics/ physical parameters/ functionalities demonstrating novelty (new or significant improvement) of the product/ process; - declaration demonstrating link with a specific KIC KAVA (indication of the specific output of KIC KAVA(s)); - documented proof such as an invoice or an online sales record demonstrating that the purchase has been made by a customer.
Innovation	Result/Impact	# Start-ups created as a result of innovation projects	EITN04	<p>Sum of start-ups established in year N as a result/ based on the output(s) of Innovation/ Research related KAVA(s), or start-ups created for the purpose of an innovation project to organise and support the development of an asset (but not later than three years after completion of the KAVA).</p> <p>Supporting evidences:</p> <ul style="list-style-type: none"> - registration certificate, company's profile and contact details and gender of the owner/CEO; - declaration demonstrating link with the specific KIC KAVA (indication of the specific output of KIC KAVA(s)); - document such as an invoice or an online sales record certifying a first financial transaction for a service/product (result of the KIC KAVA) sold to a customer.
Entrepreneurship	Output	# Start-ups supported by KICs	EITN05	<p>Number of start-ups that that have started receiving KIC's business creation (BC) services through KIC KAVA activities within year N. KIC should justify that the provided services contribute to the company's growth (including potential growth). Examples of such services are mentoring, consultancy on e.g. access to finance and markets, product/service marketing, legal advice, internationalisation, match-making, etc. The services should be provided for a total period of at least two months.</p> <p>Supporting evidences:</p> <ul style="list-style-type: none"> - description of supported start-ups including information on company's name

				<p>and profile, contact data, name and gender of CEO/owner and reference to a specific KIC KAVA;</p> <ul style="list-style-type: none"> - formal signed agreement between KIC and the start-up clearly stating what is being provided, when and with which milestones / deliverables for the start-up to go onto the next stage of BC services and, if applicable, what is KIC receiving in exchange; - registration certificate of the start-up receiving BC services.
Entrepreneurship	Result/Impact	Investment attracted by start-ups supported by KICs	EITN06	<p>Total EUR amount of private and public capital attracted within year N by ventures that have received KIC business creation services support of total duration of at least two months (as described in the output indicator above), within a maximum of three years following the last received KIC KAVA support activity.</p> <p>Impact Fund investments into KIC supported start-ups should be measured separately.</p> <p>Supporting evidences:</p> <ul style="list-style-type: none"> - description of the start-ups which attracted the capital including: company name and profile, contact data, amount of investments attracted, information on the investors (optionally) and reference to a specific KIC KAVA; - press releases, or official announcements, or other official documents (e.g. signed declaration of honour by the Entrepreneurship Director confirming the accuracy of the provided information).
Communication, Dissemination and Outreach	Output	# Success stories submitted to and accepted by EIT	EITN07	<p>Good practises or success stories presented by KICs to the EIT according to a specific format and accepted by the EIT including eligible nominees for the EIT awards.</p>
Communication, Dissemination and Outreach	Result/Impact	# External participants in EIT RIS programmes	EITN08	<p>Number of organisations and individuals from the EIT RIS eligible countries and regions selected via open process that are collaborating with KIC and benefiting from the EIT RIS activities (including but are not limited to receiving business creation services, taking part in joint collaborations on developing joint solutions, participating in education activities).</p>

				<p>Supporting evidences:</p> <ul style="list-style-type: none"> - description of entities / individuals provided by the KIC including name, address (not for the individuals), description of activity, EIT budget (if relevant); - respective collaboration agreement or equivalent describing the subject and nature of the collaboration/ EIT RIS activity.
Management and Coordination	Output	Budget consumption of KICs	EITN09	EIT grant approved / EIT grant committed (Calculated by EIT)
Management and Coordination	Output	Error rate of KICs	EITN10	Ineligible KAVA costs established by EIT based on ex-ante checks / total KAVA cost declared by KIC. (Calculated by EIT)
Management and Coordination	Result/Impact	Financial Sustainability (FS): revenue of KIC LE and FS coefficient	EITN11	<p>The total revenues generated by the KIC LE in year N (absolute value in EUR) and FS coefficient (%) is the total revenues generated by the KIC LE divided by the total EIT KAVA in year N.</p> <p>Supporting evidence: KICs' reports on financial sustainability and completed templates (revenues presented per category: 1) income generated by return on investment & equity, 2) education, 3) services and consulting, 4) membership fees, and 5) alternative funding sources for KIC LE (public and private)).</p>