



**DECISION 13/2022
OF THE GOVERNING BOARD OF
THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY (EIT)**

**ON HIGH-LEVEL PRINCIPLES ON KNOWLEDGE AND INNOVATION
COMMUNITIES' (KICS') FUND INITIATIVES**

THE GOVERNING BOARD OF THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY,

HAVING REGARD to Regulation (EU) No 2021/819 of the European Parliament and of the Council of 20 May 2021 on the European Institute of Innovation and Technology (recast) (hereafter referred to as the “EIT Regulation (recast)”¹, in particular Articles 6 (i), 7(h) and Section 2(1)(c) of the Statutes as annexed to the EIT Regulation (recast);

HAVING REGARD to Decision 2021/820 of the European Parliament and of the Council of 20 May 2021 on the Strategic Innovation Agenda of the European Institute of Innovation and Technology (EIT) 2021-2027: Boosting the Innovation Talent and Capacity of Europe and repealing Decision No 1312/2013/EU (hereafter referred to as the “EIT SIA 2021-2027”)², in particular Section 1.2, 3.1 and 3.6.2 thereof;

HAVING REGARD to Regulation (EU) 2021/695 of the European Parliament and of the Council of 28 April 2021 establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination, and repealing Regulations (EU) No 1290/2013 and (EU) No 1291/2013 (hereafter referred to as the “Horizon Europe Regulation”)³;

HAVING REGARD to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (hereinafter referred to as the “EU Financial Regulation”)⁴;

HAVING REGARD to Decision 21/2019 of the Governing Board of the EIT of 25 September 2019 on the Financial Regulation of the EIT⁵, in particular Article 1 thereof;

HAVING REGARD to Decision 13/2021 of the Governing Board of the EIT on the principles on the financial sustainability of Knowledge and Innovation Communities (KICs)⁶;

¹ OJ L 189, 28.5.2021, p. 61

² OJ L 189, 28.5.2021, p. 91

³ OJ L 170, 12.5.2021, p. 1

⁴ OJ L 193, 30.7.2018, p. 1-222

⁵ Ref. Ares(2019)6810859

⁶ Ref. Ares(2021)2134807



HAVING REGARD to Decision 14/2021 of the Governing Board of the EIT on the principles for financing, monitoring and evaluating Knowledge and Innovation Community (KIC) activities⁷;

HAVING REGARD to Decision 17/2021 of the Governing Board of the EIT on the Key Performance Indicators⁸;

HAVING REGARD to Decision 6/2022 of the Governing Board of the EIT of 16 March 2022 on the amendment of the principles on the financial sustainability of Knowledge and Innovation Communities (KICs) and repealing Decision 13/2021 of the Governing Board of the EIT⁹;

HAVING REGARD to Decision 7/2022 of the Governing Board of the EIT of 16 March 2022 on the adoption of the EIT Monitoring and Evaluation Strategy¹⁰;

HAVING REGARD to the EIT KIC Partnership Agreement model, in particular its Article 9.2;

WHEREAS:

- (1) As of 2021, the EIT is part of the Horizon Europe Framework Programme for Research and Innovation and the new specific legal framework (i.e. EIT Regulation (recast), EIT Strategic Innovation Agenda 2021-2027) was published in the Official Journal on 28 May 2021.
- (2) The new framework required the significant revision of the Principles on KICs' Financial Sustainability that had been applied by the EIT until 2020. For this reason, on 17 May 2021 the Governing Board of the EIT adopted its Decision 13/2021 on the principles on the financial sustainability of KICs, which was amended by Decision 6/2022 of the Governing Board of the EIT.
- (3) As stated in Section 1.2 of the EIT Strategic Agenda 2021-2027, vibrant innovation ecosystems require a mix of knowledge, investment, infrastructure and talent. Framework conditions for cooperation between European research, education and innovation along with strong synergies need to be in place in order to ensure proper and efficient investment of scarce resources and to leverage other sources of funding aiming to achieve financial sustainability.
- (4) 'Financial sustainability' means a capacity of a KIC to finance its knowledge triangle activities independently of contributions from the EIT. In pursuing the financial sustainability of their activities, the KICs shall look to a wide range of revenue and investment sources.
- (5) Therefore, KICs are to develop and implement revenue creating strategies in order to maintain their innovation ecosystem and knowledge triangle activities beyond the period covered by the Partnership Agreements.

⁷ Ref. Ares(2021)3111256

⁸ Ref. Ares(2021)3113267

⁹ Ref. Ares(2022)2098580

¹⁰ Ref. Ares(2022)2098829



- (6) The EIT Strategic Agenda 2021-2027 stresses the EIT's role in guiding the KICs towards financial sustainability in order to achieve financial independence from the EIT. In addition, the EIT should effectively implement a number of novelties in the management of its beneficiaries, including setting financial sustainability targets for KICs.
- (7) This set of KICs Funds initiatives principles were developed and improved with the help of recognized experts in the field of Venture Capital, and funding for European Innovation, both from public and private sources. This set of KICs Funds initiatives principles were endorsed in their previous version by the EIT Governing Board at the September 2019 EIT GB meeting, and used for monitoring purposes in 2020 and 2021.

HAS DECIDED AS FOLLOWS:

Article 1
Adoption

The EIT High-level Principles on KICs' Fund Initiatives are hereby adopted as set out in Annex I.

Article 2
Entry into force

This decision shall enter into force on the date of signature.

Done in Budapest on 29 April 2022¹¹

Gioia Ghezzi
Chairperson of the EIT Governing Board

¹¹ Adopted in written procedure on 29 April 2022.



Annex

EIT High-level Principles on KICs' Fund Initiatives

KICs should abide by the following principles when designing their own fund initiatives.

KICs designing their own fund initiative can consider their role(s) in such endeavour as sponsor, facilitator, or in any other capacities that do not go against the principles set out below.

I. Structure and Investment Strategy

1. Develop an investment strategy appealing to both KIC partners and third-party investors and in accordance with the EIT's overall and specific KIC's missions.
2. Develop the business model of the KIC Fund Initiative in a way that ensures financial sustainability of the Fund as well as financial returns to KICs in the form of fees and / or a share of the returns of the KICs Funds initiatives.
3. Use recognised fund structures and best Know-Your-Customer (KYC) and Anti-Money-Laundering (AML) processes to facilitate fundraising and overall good corporate governance. These processes should be clearly defined in the by-laws and other relevant documentation and be made publicly available.
4. Define clear Environmental, Social and Governance (ESG) criteria and Key Performance Indicators (KPIs) to measure them as a pre-condition for investing to support the EIT mission and aim for gender diversity of companies targeted for investment.
5. Adopt widely used terms and conditions that are included in the by-laws of Venture Capital (VC) funds to facilitate fundraising and to build a good reputation within the investor community.

II. Fund Manager

6. Select a third-party regulated fund manager with good reputation, appropriate track record and skills to implement the fund's strategy. The fund manager qualifies as third party when not controlled by the KIC (including KIC partners). The fund manager should be regulated under the Alternative Investment Fund Managers Directive 2011/61/EU or any other Regulation considered to be equivalent or applicable depending on the size and the nature of the fund manager.



7. Conduct with principles of equal treatment, non-discrimination and transparency and by a selection based both on cost and quality considerations a public selection process of the fund manager and engage in outreach activities to encourage quality applicants, with due regard for the executive team's gender balance.

III. Investors

8. Pay due regard to the interests of investors beyond the by-laws of the fund by developing high-standard investor relations.
9. Consider becoming an investor in the fund as KIC to gain exposure to financial upside potentials. Commitments should be made out of permitted resources (i.e. excluding the EIT financial contribution), as per Horizon Europe, EIT SIA (Strategic Innovation Agenda) / Regulation, and as listed in the EIT KICs Financial Sustainability principles.
10. Open the fund to all relevant EU/national funding instruments and encourage synergies by (co)investing (e.g. InvestEU/EFSD, EIC/EIB/EIF, etc.) to increase the size of the fund and accordingly the access to finance of the supported portfolio companies.

IV. Compliance

11. Ensure full compliance with applicable regulations and demonstrate compliance with industry standards on a comply or explain basis in terms of legal framework used, management costs, investor protection, management team's incentives, valuation, reporting, transparency, Environmental, Social and Governance (ESG) factors such as the UN Principles for Responsible Investment¹², Institutional Limited Partners Association ("ILPA") Private Equity Principles¹³ and Invest Europe's professional standards¹⁴.
12. Disclose the fund structure and documentation, management team qualifications, investments made and annual financial reports as per guidelines noted above.

V. Non-compliance

In case KICs face difficulties in implementing the above-described principles, they should:

¹² <http://www.unpri.org>

¹³ <https://ilpa.org/wp-content/uploads/2015/07/ILPA-Private-Equity-Principles-version-2.pdf>

¹⁴ <https://www.investeurope.eu/about-us/professional-standards/>



- (i) **Identify** which principles are not met;
- (ii) **Present** the reasons why the principles are not met;
- (iii) **Explain** the chosen alternative solutions and why the positive impact on the EIT's and KICs' missions is increased;
- (iv) **Communicate** their analysis to EIT and investors in the fund (potential or confirmed).