



Preparatory Action on Defence Research

Multi-Beneficiary Model Grant Agreement

(EDA MGA — Multi)

Version 4.0
14 July 2017

Disclaimer

This document is aimed at assisting applicants for EDA funding. It shows the full range of provisions that may be applied to this type of grant agreement, and is provided for information purposes only. The legally binding grant agreement will be that which is signed by the parties for the action.



DRAFT

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HISTORY OF CHANGES		
Version	Publication date	Changes
1.0	n/a	▪ Not applicable
2.0	n/a	▪ Not applicable
3.0	n/a	▪ Not applicable
4.0 - DRAFT	14.07.2017	▪ Initial version



MULTI-BENEFICIARY MODEL GRANT AGREEMENT FOR THE PREPARATORY ACTION ON DEFENCE RESEARCH¹ (EDA MGA — MULTI)

- Footnotes in blue will not appear in the text generated by the IT system for signature (since they are internal instructions only).
- For options [*in italics, in square brackets*]: the applicable option must be chosen in the IT system. Options not chosen will automatically either not appear or appear as 'not applicable'. Options chosen will appear *in italics* without brackets and without the Option title (to allow beneficiaries to easily spot that a specific rule applies).
- For fields in [grey in square brackets] (even if they are part of an option as specified in the previous item): enter the appropriate data in the IT system.
- The IT system will generate a data sheet confirming the options chosen and the data entered.

GRANT AGREEMENT

NUMBER [insert number] — [insert acronym]

This **Agreement** ('the Agreement') is **between** the following parties:

on the one part,

the **European Defence Agency (EDA)** ('the Agency'), represented for the purposes of signature of this Agreement by [[forename and surname], Deputy Chief Executive, or his/her duly authorised representative]

and

on the other part,

1. 'the coordinator':

¹ Commission Decision C(2017) 2262 of 11 April 2017 on the financing of the 'Preparatory action on Defence research' and the use of unit costs for the year 2017.

[full official name (short name)], established in [official address in full], [OPTION for beneficiaries with VAT: VAT number [insert number].], [OPTION for coordinators not receiving funding: as 'beneficiary not receiving funding' (see Article 9).] represented for the purposes of signing the Agreement by [forename and surname, function]

and the following other beneficiaries, if they sign their 'Accession Form' (see Annex 3 and Article 56):

2. [full official name (short name)], established in [official address in full], [OPTION for beneficiaries with VAT: VAT number [insert number].],

[OPTION for beneficiaries not receiving funding: X. [full official name (short name)], established in [official address in full] [OPTION for beneficiaries with VAT: VAT number [insert number].], as 'beneficiary not receiving funding' (see Article 9).]

[same for each beneficiary]

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 |
| Annex 2 | Estimated budget for the action |
| | 2a Additional information on the estimated budget |
| Annex 3 | Accession Forms |
| | 3a Not applicable |
| Annex 4 | Model for the financial statements |
| Annex 5 | Model for the certificate on the financial statements (CFS) |
| Annex 6 | Model for the certificate on the methodology (CoMUC) |
| Annex 7 | Statement on the use of the previous pre-financing payment: not applicable |

Grant Agreement number: [insert number] [insert acronym] [insert call identifier]

TERMS AND CONDITIONS

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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 [— COMPLEMENTARY GRANT]

The grant is awarded for the action entitled [insert title of the action] — [insert acronym] ('action'), as described in Annex 1.

[OPTION for complementary grants if foreseen in the call for proposals: The grant is a 'complementary grant' to [the grant agreement(s) under the call(s) for proposals [call identifier(s): PADR — theme —]] [the following complementary grant agreement(s) No(s):

- [insert number] [insert acronym]
- [insert number] [insert acronym]].]

ARTICLE 3 — DURATION AND STARTING DATE OF THE ACTION

The duration of the action will be [insert number] months as of [OPTION 1 by default: the first day of the month following the date the Agreement enters into force (see Article 58)]² [OPTION 2 if needed for the action: [insert date]³]⁴ ('starting date of the action').

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]). [OPTION to be used if Article 9 applies: It also shows the estimated costs of the beneficiaries not receiving funding (see Article 9).]

4.2 Budget transfers

² Text in *italics* shows the options of the Model Grant Agreement that are applicable to this Agreement.

³ This date must be the first day of a month and it must be later than the date of entry into force of the agreement, unless authorised otherwise by the authorising officer, if the applicant can demonstrate the need to start the action before the entry into force of the grant agreement or the need to start the action on another day than the first day of the month. In any case, the starting date should not be earlier than the date of the submission of the grant application (Article 130 FR).

⁴ Text in *italics* shows the options of the Model Grant Agreement that are applicable to this Agreement.

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
- the transfers between budget categories must stay below 20% of the total costs for the action set out in Annex 2, unless they are approved by an amendment.

[OPTION if lump sum foreseen in Article 5.2: Moreover, lump sums set out in Annex 2 can never be adjusted.]

CHAPTER 3 GRANT

ARTICLE 5 — GRANT AMOUNT, FORM OF GRANT, REIMBURSEMENT RATE 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 rate and forms of costs

The grant reimburses **100 %** of the action’s eligible costs (‘**reimbursement of costs grant**’; see Article 6 and 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**⁵:

- 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 2a (**unit costs**);

⁵ To be used only if option in Point (f) is used.

- (b) for **direct costs of subcontracting**: as actually incurred costs (**actual costs**);
- (c) for **direct costs of providing financial support to third parties**: 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**: on the basis of a flat-rate applied as set out in Article 6.2, Point E (**‘flat-rate costs’**);
- (f) for **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 Agency — when the payment of the balance is made (see Article 21.4) — in the following steps:

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

The reimbursement rate (see Article 5.2) are applied to the eligible costs (actual costs, unit costs and flat-rate costs [*and lump sum costs*]; see Article 6) declared by the beneficiaries [*and linked third parties*] (see Article 20) and approved by the Agency (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

[OPTION 1 by default: *The grant must not produce a profit.*

'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 Agency.

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;
- (b) financial contributions given by third parties to the beneficiary [or to a linked third party] specifically to be used for costs that are eligible under the action.

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.]

[OPTION 2 for low value grants: *Not applicable]*

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

If the grant is reduced (see Article 43), the Agency 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 Agency 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 Agency 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 Agency 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 periodic report for the last reporting period and 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 2a 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 set out in Annex 2, 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**: not applicable

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. not applicable

‘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 (staff costs)

Types of eligible personnel costs

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).

They may also include **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.

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:

- (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 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:

- (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 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.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 2 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 2 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 }.

The number of actual hours declared for a person must be identifiable and verifiable (see Article 18).

The total number of hours declared in Agency, 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 Agency, 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 calculated *per full financial year*, as follows:

{ actual annual personnel costs 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 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 2a (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 beneficiaries that are not public bodies acting as public authority) are eligible if the conditions in Article 13.1.1 are met.

C. Direct costs of providing financial support to third parties

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 beneficiaries that are not public bodies acting as public authority) are eligible if they are in line with the beneficiary's usual practices on travel.

D.2 [OPTION 1 by default: The depreciation costs of equipment, infrastructure or other assets (new or second-hand) as recorded in the beneficiary's accounts are eligible, if they were purchased in accordance with Article 10.1.1 and written off in accordance with international accounting standards and the beneficiary's usual accounting practices.

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 beneficiaries that are not public bodies acting as public authority) 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 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.]

[OPTION 2 (alternative to option above) to be used if foreseen in the call for proposals⁶: The cost 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 was 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 beneficiaries that are not public bodies acting as public authority) are also eligible, if they do not exceed the depreciation costs of similar equipment, infrastructure or assets and do not include any financing fees.

]

D.3 Costs of other goods and services (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by beneficiaries that are not public bodies acting as public authority) are eligible, if they are purchased specifically for the action and in accordance with Article 10.1.1.

Such goods and services include, for instance, consumables and supplies, dissemination, 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' Not applicable

D.5 Costs of internally invoiced goods and services directly used for the action are eligible, if:

⁶ To be used as an exception, only if justified by the nature of the action and the context of the use of the equipment or assets, if provided for in the work programme.

- (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
- (b) not applicable
- (c) not applicable;
- (d) not applicable.

Beneficiaries receiving an operating grant⁷ 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. Specific cost category(ies)

Not applicable

⁷ 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 ('**EU 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.

6.3 Conditions for costs of linked third parties to be eligible

[OPTION 1 to be used if Article 14 applies: 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.]

[OPTION 2: Not applicable]

6.4 Conditions for in-kind contributions provided by third parties free of charge to be eligible

Not applicable

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;
 - (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 Agency;
 - (viii) excessive or reckless expenditure;
 - (ix) deductible VAT;
 - (x) costs incurred during suspension of the implementation of the action (see Article 49);
 - (xi) in-kind contributions provided by third parties;
- (b) costs declared under another Agency, EU or Euratom grant (including other grants awarded by the Agency, grants awarded by a Member State and financed by the EU or Euratom budget and grants awarded by bodies other than the Agency 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) costs arising from military or defence operations;

(d) costs for activities that take place on the territory (land, air or sea) of an ineligible country (i.e. a country not listed as eligible country in the call for proposals);

*[(e) **OPTION for cost categories explicitly excluded in the call for proposals:** [insert name of excluded cost category]].*

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);

- 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).

In these cases, the beneficiaries retain sole responsibility towards the Agency and the other beneficiaries for implementing the action.

ARTICLE 9 — IMPLEMENTATION OF ACTION TASKS BY BENEFICIARIES NOT RECEIVING FUNDING

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).

[OPTION: In addition, if the value of the purchase exceeds EUR [...], the beneficiaries must comply with the following rules: [...].⁸]

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 contractors.

10.1.2 Beneficiaries that are ‘contracting authorities’ within the meaning of Directive 2004/18/EC⁹ (or 2014/24/EC¹⁰) or ‘contracting entities’ within the meaning of Directive 2004/17/EC¹¹ (or 2014/25/EC¹²) must comply with the applicable national law on public procurement.

⁸ If the authorising officer decides to set specific rules, they should have due regard for the principle of proportionality, taking into account the value of the contracts and the relative size of the grant in relation to the total cost of the action and the risk. Specific rules must be based on the rules contained in the Financial Regulation. Simply citing the FR without specifying the applicable provisions should be avoided. Specific rules may only be set for the award of contracts of a value higher than EUR 60 000. The authorising officer may set a threshold higher than EUR 60 000 on the basis of a risk assessment.

¹⁰ 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).

¹² 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).

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

Not applicable

ARTICLE 12 — USE OF IN-KIND CONTRIBUTIONS PROVIDED BY THIRD PARTIES FREE OF CHARGE

Not applicable

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).

[OPTION: In addition, if the value of the subcontract to be awarded exceeds EUR [...], the beneficiaries must comply with the following rules: [...].¹³]

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 Agency may however approve subcontracts not set out in Annex 1 and 2 without amendment (see Article 55), if:

¹³ If the authorising officer decides to set specific rules, they should have due regard for the principle of proportionality, taking into account the value of the contracts and the relative size of the grant in relation to the total cost of the action and the risk. Specific rules must be based on the rules contained in the Financial Regulation. Simply citing the FR without specifying the applicable provisions should be avoided. Specific rules may only be set for the award of contracts of a value higher than EUR 60 000. The authorising officer may set a threshold higher than EUR 60 000 on the basis of a risk assessment.

- they are specifically justified in the periodic technical 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.

[OPTION for classified information: Action tasks involving classified information may be subcontracted only after explicit approval (in writing) from the Agency (see Article 37).]

The beneficiaries must ensure that the subcontracted work is not performed on the territory (land, air or sea) of an ineligible country (i.e. a country not listed as eligible country in the call for proposals; ‘place of performance obligation’).

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 subcontractors.

13.1.2 The beneficiaries must ensure that their obligations under Articles 35, 36, 37, 38 and 46 also apply to the subcontractors.

Beneficiaries that are ‘contracting authorities’ within the meaning of Directive 2004/18/EC¹⁴ (or 2014/24/EC¹⁵) or ‘contracting entities’ within the meaning of Directive 2004/17/EC¹⁶ (or 2014/25/EC¹⁷) 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

[OPTION 1: 14.1 Rules for calling upon linked third parties to implement part of the action

¹⁵ 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).

¹⁷ 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).

*14.1.1 The following **affiliated entities**¹⁸ and **third parties with a legal link to a beneficiary**¹⁹ ('**linked third parties**') may implement the action tasks attributed to them in Annex 1:*

- [name of the entity (short name)], affiliated or linked to [short name of the beneficiary]
- [name of the entity (short name)], affiliated or linked to [short name of the beneficiary]
[same for more linked third parties]

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 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 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. The beneficiaries must also ensure that their linked third parties comply with the obligations under Articles 8.1 (d) and 8.5 of the Rules for Participation of the Preparatory Action on Defence Research.

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).

Such breaches may also lead to any of the other measures described in Chapter 6.]

[OPTION 2: Not applicable]

ARTICLE 14a — IMPLEMENTATION OF ACTION TASKS BY INTERNATIONAL PARTNERS

'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.

¹⁹ **'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.

Not applicable

ARTICLE 15 — FINANCIAL SUPPORT TO THIRD PARTIES

Not applicable

ARTICLE 16 — PROVISION OF TRANS-NATIONAL OR VIRTUAL ACCESS TO RESEARCH INFRASTRUCTURE

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 keep information stored in the Participant Portal ‘Beneficiary Register’ (via the electronic exchange system; see Article 52) up to date, in particular, its name, address, legal representatives, legal form and organisation type.

Each beneficiary must immediately inform the coordinator — which must immediately inform the Agency 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 or Agency 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 [*OPTION 1 by default: five*][*OPTION 2 for low value grants²⁰: three*] 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 Agency 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 scientific and technical implementation

The beneficiaries must keep records and other supporting documentation on scientific and 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

²⁰ For the definition, see Article 185 of Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1) (**‘Rules of Application Regulation No 1268/2012’**): **‘low value grants’** are lower or equal to EUR 60 000.

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 Agency, for approval, 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 beneficiaries 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 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) for **lump sum costs**: not applicable

In addition, for **personnel costs** (declared as actual or 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 Agency 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.

[OPTION to be added if Article 14 applies: 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:

- *[OPTION if applicable to the grant: the following ‘progress report(s)’ on the implementation of the action:*
 - *a [first] progress report, [within 30 days after half of the [first] reporting period set out in Article 20.2 has passed] [within 30 days after the end of month [A]] [by [insert date]];*
 - *[a second progress report, [within 30 days after half of the second reporting period set out in Article 20.2 has passed] [within 30 days after the end of month [B]] [by [insert date]];*
[same for other progress reports]]]
- *[OPTION if applicable to the grant: the following ‘special report(s)’ (drawn up in accordance with the customised template provided as part of Annex 1) that summarise the implementation of the action for the Member States:*
 - *a [first version of the] special report, [within 30 days after the [first] reporting period set out in Article 20.2 has passed] [within 30 days after the end of month [X]] [by [insert date]];*
 - *[an update [within 30 days after the [second] reporting period set out in Article 20.2 has passed] [within 30 days after the end of month [Y]] [by [insert date]];*
[same for more RPs, if any]]]
- 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 Agency may apply any of the measures described in Chapter 6.

ARTICLE 20 — REPORTING — PAYMENT REQUESTS

20.1 Obligation to submit reports

The coordinator must submit to the Agency (see Article 52) the technical and financial reports set out in this Article. These reports include the requests for payment and must be drawn up using the forms and templates provided by the Agency.

20.2 Reporting periods

The action is divided into the following ‘reporting periods’:

- RP1: from month 1 to month [X]
- [- RP2: from month [X+1] to month [Y]*
- RP3: from month [Y+1] to month [Z]*
- [same for other RPs]*
- RPN: from month [N+1] to [the last month of the project].]

20.3 Periodic reports — Requests for interim payments

The coordinator must submit a periodic report within 60 days following the end of each reporting period.

The **periodic report** must include the following:

(a) a ‘**periodic technical report**’ containing:

- (i) an **explanation of the work carried out** by the beneficiaries;
- (ii) an **overview of the progress** towards the objectives of the 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.

The report must detail the exploitation and dissemination of the results and — if required in Annex 1 — an updated ‘**plan for the exploitation and dissemination of the results**’;

- (iii) a **summary** for publication by the Agency;
- (iv) the answers to the ‘**questionnaire**’, covering issues related to the action implementation and the economic and societal impact;

(b) a ‘**periodic financial report**’ containing:

- (i) an ‘**individual financial statement**’ (see Annex 4) from each beneficiary *[and from each linked third party]*, for the reporting period concerned.

The individual financial statement must detail the eligible costs (actual costs, unit costs and flat-rate costs [*and lump sum costs*]; see Article 6) for each budget category (see Annex 2).

The beneficiaries [*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 Agency.

If an individual financial statement is not submitted for a reporting period, it may be included in the periodic financial report for the next reporting period.

The individual financial statements of the last reporting period must also detail the **receipts of the action** (see Article 5.3.3).

Each beneficiary [*and each linked third party*] must **certify** that:

- the information provided is full, reliable and true;
 - the costs declared are eligible (see Article 6);
 - the costs can be substantiated by adequate records and supporting documentation (see Article 18) that will be produced upon request (see Article 17) or in the context of checks, reviews, audits and investigations (see Article 22), and
 - for the last reporting period: that all the receipts have been declared (see Article 5.3.3);
- (ii) an **explanation of the use of resources** and the information on subcontracting (see Article 13) from each beneficiary [*and from each linked third party*], for the reporting period concerned;
- (iii) special provisions for the **JRC**: not applicable;
- (iv) a ‘**periodic summary financial statement**’ consolidating the individual financial statements for the reporting period concerned and including — except for the last reporting period — the **request for interim payment**;
- (v) a ‘**certificate on the financial statements**’ (drawn up in accordance with Annex 5) for each beneficiary [*and for each linked third party*], if:
- the (cumulative) amount of payments it requests as reimbursement of actual costs and unit costs on the basis of usual cost accounting practices (and for which no certificate has yet been submitted) is EUR 325 000 or more and

- the maximum Agency contribution indicated, for that beneficiary [*or linked third party*], in the estimated budget (see Annex 2) as reimbursement of actual costs and unit costs on the basis of usual cost accounting practices is EUR 750 000 or more.

*[OPTION to be used for public body/international organisation beneficiaries/linked third parties for which the RAO waives the certificate²¹: — except for the following beneficiaries [*or linked third parties*]:*

- [*short name of beneficiary/linked third party*]
- [*short name of beneficiary/linked third party*].]

20.4 Final report — Request for payment of the balance

In addition to the periodic report for the last reporting period, the coordinator must submit the final report within 60 days following the end of the last reporting period.

The **final report** must include the following:

- (a) a ‘**final technical report**’ with a **summary** for publication containing:
 - (i) an overview of the results and their exploitation and dissemination;
 - (ii) the conclusions on the action, and
 - (iii) the socio-economic impact of the action;
- (b) a ‘**final financial report**’ containing the ‘**final summary financial statement**’ (see Annex 4) consolidating the individual financial statements for all reporting periods and including the **request for payment of the balance**.

20.5 Information on cumulative expenditure incurred

[OPTION 1 for grants above EUR 5 million with reporting periods beyond 18 months²²: In addition to the reporting requirements set out above (Article 20.1 to 20.3), the coordinator must inform the Agency by [31 December][30 November] each year of the cumulative expenditure incurred by the beneficiaries from the starting date of the action.

This information is required for EU accounting purposes and will not be used to calculate the final grant amount.]

[OPTION 2: Not applicable]

20.6 Currency for financial statements and conversion into euro

²¹ See Article 207 RAP.

²² To be added in the case of grants of more than EUR 5 million for which a pre-financing is paid and the reporting periods for interim payments or payments of the balance exceed eighteen months.

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 (technical and financial reports, including financial statements) must be submitted in the language of the Agreement.

20.8 Consequences of non-compliance

If the reports submitted do not comply with this Article, the Agency 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 Agency 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:

- one **pre-financing payment**;
- one or more **interim payments**, on the basis of the request(s) for interim payment (see Article 20), and
- one **payment of the balance**, on the basis of the request for payment of the balance (see Article 20).

21.2 Pre-financing payment — Amount [*— Pre-financing guarantee(s)*]

The aim of the pre-financing is to provide the beneficiaries with a float.

It remains the property of the Agency until the payment of the balance.

The amount of the pre-financing payment will be EUR [insert amount (insert amount in words)].

The Agency will — except if Article 48 applies — make the pre-financing payment to the coordinator within 30 days, either from the entry into force of the Agreement (see Article 58) or from 10 days before the starting date of the action (see Article 3) [*OPTION if the Agency requires a pre-financing guarantee: or from receiving the pre-financing guarantee*], whichever is the latest.

[OPTION if the Agency requires one or more pre-financing guarantee(s)²³: The payment of the pre-financing will be conditional on receiving a financial guarantee of EUR [insert amount (insert amount in words)].

The guarantee must fulfil the following conditions:

- (a) be provided by a bank or an approved financial institution or — if requested by the coordinator and accepted by the Agency — by a third party;*
- (b) the guarantor stands as first-call guarantor and does not require the Agency to first have recourse against the principal debtor (i.e. the beneficiary concerned), and*
- (c) remains explicitly in force until the payment of the balance and, if payment of the balance takes the form of recovery, until three months after the debit note is notified to a beneficiary.*

The guarantee will be released within the following month.]

21.3 Interim payments — Amount — Calculation

Interim payments reimburse the eligible costs incurred for the implementation of the action during the corresponding reporting periods.

The Agency will pay to the coordinator the amount due as interim payment within 90 days from receiving the periodic report (see Article 20.3), except if Articles 47 or 48 apply.

Payment is subject to the approval of the periodic report. Its approval does not imply recognition of the compliance, authenticity, completeness or correctness of its content.

The **amount due as interim payment** is calculated by the Agency in the following steps:

Step 1 – Application of the reimbursement rate

²³ A pre-financing guarantee may be required by the responsible authorising officer (RAO), if s/he considers it necessary (i.e. appropriate and proportionate), to limit the financial risks connected with the payment of pre-financing: Pre-financing guarantees may not be requested for low-value grants (see Article 134 of the EU Financial Regulation).

Step 2 – Limit to 90% of the maximum grant amount

21.3.1 Step 1 — Application of the reimbursement rate

The reimbursement rate (see Article 5.2) are applied to the eligible costs (actual costs, unit costs and flat-rate costs [*and lump sum costs*]; see Article 6) declared by the beneficiaries [*and the linked third parties*] (see Article 20) and approved by the Agency (see above) for the concerned reporting period.

21.3.2 Step 2 — Limit to 90% of the maximum grant amount

The total amount of pre-financing and interim payments must not exceed 90% of the maximum grant amount set out in Article 5.1. The maximum amount for the interim payment will be calculated as follows:

$$\begin{aligned} & \{90\% \text{ of the maximum grant amount (see Article 5.1)} \\ & \text{minus} \\ & \{ \text{pre-financing and previous interim payments} \} \}. \end{aligned}$$

21.4 Payment of the balance — Amount — Calculation

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 earlier payments 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 earlier payments is lower than the final grant amount, the Agency will pay the balance within 90 days from receiving the final report (see Article 20.4), except if Articles 47 or 48 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 Agency by deducting the total amount of pre-financing and interim payments (if any) already made, from the final grant amount determined in accordance with Article 5.3:

$$\begin{aligned} & \{ \text{final grant amount (see Article 5.3)} \\ & \text{minus} \\ & \{ \text{pre-financing and interim payments (if any) made} \} \}. \end{aligned}$$

The amount to be paid may however be offset — without the beneficiaries' consent — against any other amount owed by a beneficiary to the Agency, up to the maximum Agency contribution indicated, for that beneficiary, in the estimated budget (see Annex 2).

21.5 Notification of amounts due

When making payments, the Agency will formally notify to the coordinator the amount due, specifying whether it concerns an interim payment or the payment of the balance.

For the payment of the balance, the notification will also specify 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 Agency 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 Agency from its payment obligation.

The coordinator must distribute the payments between the beneficiaries without unjustified delay.

Pre-financing may however be distributed only:

- (a) if the minimum number of beneficiaries set out in the call for proposals has acceded to the Agreement (see Article 56) and
- (b) 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: [...]]²⁴

21.9 Costs of payment transfers

The cost of the payment transfers is borne as follows:

- the Agency bears the cost of transfers charged by its bank;

²⁴ BIC or SWIFT code applies to for countries if the IBAN code does not apply.

- 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 Agency 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 Agency 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

22.1 Checks, reviews and audits by the Agency and the Commission

22.1.1 Right to carry out checks

The Agency or the Commission 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 Agency or the Commission may be assisted by external persons or bodies.

The Agency or the Commission may also request additional information in accordance with Article 17. The Agency or the Commission 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 Agency or the Commission 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 and continued scientific or technological relevance of the action.

Reviews may be started up to [*OPTION by default: five*][*OPTION for low value grants: three*] 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 Agency or the Commission 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 Agency or the Commission 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 Agency or the Commission 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 Agency or the Commission 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 [*OPTION by default: five*][*OPTION for low value grants: three*] 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 Agency 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 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 Agency or the Commission 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 Agency or the Commission 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 *Agency or the Commission* 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 Agency or the Commission may also access the beneficiaries' statutory records for the periodical assessment of unit costs or flat-rate amounts [*or lump sums*].

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

Under Regulations No 883/2013²⁵ and No 2185/96²⁶ (and in accordance with their provisions and procedures), the European Anti-Fraud Office (OLAF) and Article 45 of the Financial Regulation of the Agency²⁷ 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 966/2012²⁸, 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

[OPTION 1 for international organisations: In conformity with its financial regulations, the European Union, including the European Anti-Fraud Office (OLAF) and the European Court of Auditors (ECA), may undertake, including on the spot, checks, reviews, audits and investigations.

This Article will be applied in accordance with any specific agreement concluded in this respect by the international organisation and the European Union.]

[OPTION 2: Not applicable;]

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

²⁵ 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).

²⁶ 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).

²⁷ Council Decision (EU) [2016/1353](#) of 4 August 2016 concerning the financial rules of the European Defence Agency and repealing Decision 2007/643/CFSP (OJ L 219, 12.8.2016, p. 98).

²⁸ 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).

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 Agency, EU or Euratom grants awarded under similar conditions (**‘extension of findings from this grant to other grants’**).

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

22.5.2 Findings in other grants

The Agency or the Commission 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 Agency, 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 Agency or the Commission 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 Agency or the Commission 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 Agency or the Commission in justified cases.

The Agency or the Commission 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 Agency or the Commission 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 Agency or the Commission 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 Agency or the Commission may carry out interim and final evaluations of the impact of the action measured against the objectives of the Preparatory Action on Defence Research.

Evaluations may be started during implementation of the action and up to [*OPTION 1 by default: five*][*OPTION 2 for low value grants: three*] 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 Agency 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 Agency 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 activities²⁹.

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 Agency 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
- (b) is needed to implement the action or exploit the results.

[OPTION if applicable to the grant: Background that is subject to export controls of a non-EU country not associated with the Preparatory Action on Defence Research, may not be used for the action and must be explicitly excluded from it in the agreement on background [, with the exception of the following:

- [insert name/type of background]
- [insert name/type of background]].]

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

²⁹ 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.

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.

The access rights include the right to authorise a third party to exercise the rights on behalf (**‘right to have used’**) but, unless agreed otherwise, they 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, reasonable and non-discriminatory 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, reasonable and non-discriminatory 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, reasonable and non-discriminatory 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 entities³⁰ established in an EU Member State or ‘associated country’³¹, 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

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.

³⁰ ‘**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.

³¹ ‘**associated country**’: Norway (subject to amendment of Protocol 2-31 to the EEA Agreement).

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, reasonable and non-discriminatory 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 Agency ownership, to protect results

Not applicable

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 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 Agency ownership, to protect the results

Not applicable

27.3 Information on funding

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

“The project leading to this application has received funding from the European Union's Preparatory Action on Defence Research 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 funding

[OPTION for results that could contribute to standards if foreseen in the call for proposals: If results could reasonably be expected to contribute to European or international standards, the beneficiary concerned must — up to four years after the period set out in Article 3 — inform the Agency.]

If results are incorporated in a standard, the beneficiary concerned must — unless the Agency 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 Union's Preparatory Action on Defence Research 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 —VISIBILITY OF FUNDING

29.1 Dissemination of results

[OPTION 1 (optional dissemination): Each beneficiary may ‘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).]

[OPTION 2 (dissemination obligation): Unless it goes against their legitimate interests, each beneficiary must ‘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).]

[additional OPTION if foreseen in the call for proposals: In addition, the beneficiaries must comply with the additional dissemination obligations set out in Annex 1.]

[additional OPTION for interoperability if foreseen in the call for proposals: Moreover, the beneficiaries must — up to four years after the period set out in Article 3 — disseminate any technical specifications of the results that are needed for interoperability.]

[additional OPTION for cross-border interoperability if foreseen in the call for proposals: Moreover, the beneficiaries must — up to four years after the period set out in Article 3 — disseminate the deliverables relating to cross-border interoperability (see Annex 1) and any results needed for cross-border interoperability (in particular common technical specifications and software components).]]

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 Agency and] the other beneficiaries of — unless agreed otherwise — at least 45 days, together with sufficient information on the results it will disseminate.

The Agency may object if it considers that the dissemination could harm EU or Member State interests. In this case, the dissemination may not take place unless appropriate steps are taken to safeguard these interests.

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.

29.2 Open access to scientific publications

Not applicable

29.3 Open access to research data

Not applicable

29.4 Information on funding — Obligation and right to use the EU emblem

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

- (a) display the EU emblem and
- (b) include the following text:

“This project has received funding from the European Union's Preparatory Action on Defence Research 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 EU emblem without first obtaining approval from the Agency.

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

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

29.4 Disclaimer excluding Agency responsibility

Any dissemination of results must indicate that it reflects only the author's view and that the Agency 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, 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 Agency right to object to transfers or licensing

[OPTION 1: The Agency may — up to four years after the period set out in Article 3 — object to a transfer of ownership or the exclusive or non-exclusive licensing of results, if:

- (a) it is to a third party established in a non-EU country not associated with the Preparatory Action on Defence Research and*
- (b) the Agency considers that the transfer or licence is not in line with EU interests regarding competitiveness or is inconsistent with ethical principles or security considerations.*

This right does not extend to downstream products/technologies which integrate the results generated by the action.

A beneficiary that intends to transfer ownership or grant a licence must formally notify the Agency, 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 Agency may request additional information.

If the Agency decides to object to a transfer or 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 Agency decision, within the period set out above;*
- if the Agency objects;*
- until the conditions are complied with, if the Agency objection comes with conditions.]*

[OPTION 2: Not applicable]

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, reasonable and non-discriminatory 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, reasonable and non-discriminatory 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.

31.5a Access rights for the EU institutions, bodies, offices or agencies

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 [*OPTION for PADR research actions: and non-competitive*] use.

This does not change the confidentiality obligations in Article 36 (including the right to give access to the special reports to the EU Member States' and associated countries' national authorities), the security obligations in Article 37 or the right in Article 38.2 to use beneficiaries' material, for communication and publicising activities, all of which still apply.

31.5b Access rights for the EU Member States and associated countries

[OPTION 1 for PADR research actions: The beneficiaries must give Member States' and associated countries' armed forces and security and intelligence forces access to information included in the special report(s) (see Article 19.1) — on a royalty-free basis — for their activities (including for cooperative programmes, in any part of the world). Such access rights include (but are not limited to) study, evaluation, assessment, research, design, development, manufacture, improvement, modification, maintenance, repair, refurbishment, product acceptance and certification, operation, training, disposal and other post design services and product deployment as well as assessment and drafting of technical requirement for procurement.

The beneficiaries must moreover give Member States' and associated countries' national authorities access — on a royalty-free basis — to results needed for implementing follow-up actions to further develop the results, if these follow-up actions are agreed either in the framework of a multilateral agreement with two or more Member States and associated countries or an EU or international organisation. Such access rights apply only to the beneficiaries and Member States or associated countries that are part of the follow-up action and are limited to the results necessary for the execution of this follow-up action.

In all cases, access is conditional on an agreement to define specific conditions ensuring that:

- (a) the access will be used only for the intended purpose and*
- (b) appropriate confidentiality obligations are in place.*

This does not change the security obligations in Article 37, which still apply.]

[OPTION 2 for PADR coordination and support actions: The beneficiaries must give Member States' and associated countries' armed forces and security and intelligence forces access to their results — on a royalty-free basis — for their activities (including for cooperative programmes, in any part of the world).

Such access rights include (but are not limited to) study, evaluation, assessment, research, design, development, manufacture, improvement, modification, maintenance, repair, refurbishment, product acceptance and certification, operation, training, disposal and other

post design services and product deployment as well as assessment and drafting of technical requirement for procurement.

Access is conditional on an agreement to define specific conditions ensuring that:

- (a) the access will be used only for the intended purpose and*
- (b) appropriate confidentiality obligations are in place.*

This does not change the security obligations in Article 37, which still apply.]

31.6 Access rights for third parties

[OPTION 1a for additional access rights for complementary grants if foreseen in the call for proposals: The beneficiaries must give — under the conditions set out in Article 31.2 and 31.3 — access to their results to complementary beneficiaries³², for the purposes of the complementary grant agreement(s) (see Article 2).]

[OPTION 1b for additional access rights for interoperability if foreseen in the call for proposals: The beneficiaries must give third parties — up to four years after the period set out in Article 3 and [OPTION A: under fair, reasonable and non-discriminatory conditions (see Article 25.3)][OPTION B: on a royalty-free basis] — access to their results needed for interoperability.]

[OPTION 1c for additional access rights for cross-border interoperability if foreseen in the call for proposals: The beneficiaries must give third parties — up to four years after the period set out in Article 3 and on a royalty-free basis — access to their results needed for interoperability, in particular for implementing the results in EU Member States or associated countries that are not participating in the action.

Beneficiaries must give access to software components under an EU public licence (or compatible licences) and must comply with any additional requirements set out in Annex I.]

[OPTION 2: 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

³² ‘Complementary beneficiary’ means a beneficiary of a complementary grant agreement.

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 Researchers³³, 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 Agency may apply any of the measures described in Chapter 6.

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 Agency 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)

³³ 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).

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 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 beneficiaries must respect the highest standards of research integrity — as set out, for instance, in the European Code of Conduct for Research Integrity³⁴.

This implies notably compliance with the following essential principles:

- honesty;
- reliability;
- objectivity;
- impartiality;
- open communication;
- duty of care;
- fairness and
- responsibility for future science generations.

This means that beneficiaries must ensure that persons carrying out research tasks:

- present their research goals and intentions in an honest and transparent manner;

³⁴ 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.

- 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 — *[OPTION for actions participating in the Open Research Data Pilot: in addition to the open access obligations under Article 29.3]* as much as possible and taking into account the legitimate interest of the beneficiaries — 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.

34.2 Activities raising ethical issues

Activities raising ethical issues must comply with the ‘**ethics requirements**’ set out as deliverables 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 Agency (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 Agency (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 Agency 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 Agency 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 Agency 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 Agency 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, to develop, implement and monitor EU policies and programmes or safeguard the EU or Agency financial interests and
- (b) the recipients of the information are bound by an obligation of confidentiality.

The Agency may, in particular, make available the special report(s) (see Articles 19 and 31.5b) to the Commission, which may in turn make them available to Member States' and associated countries' national authorities and armed forces and security and intelligence forces, if:

- (a) there is a confidentiality agreement with the Member State or associated country and
- (b) further disclosure by the national authorities is made subject to prior approval by the beneficiaries.

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

[OPTION 1 if applicable to the grant: The beneficiaries must comply with the ‘security recommendation(s)’ set out in Annex 1.

For security recommendations restricting disclosure or dissemination, the beneficiaries must — before disclosure or dissemination to a third party (including linked third parties, such as affiliated entities) — inform the coordinator, which must request written approval from the Agency.

In case of changes to the security context, the beneficiaries must inform the coordinator, which must immediately inform the Agency and, if necessary, request for Annex 1 to be amended (see Article 55).]

[OPTION 2: Not applicable]

37.2 Classified information

[OPTION 1 if applicable to the grant: The beneficiaries must comply with the security classification set out in Annex 1 (‘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 2015/444³⁵ — until it is declassified.

Action tasks involving classified information may not be subcontracted without prior explicit written approval from the [Commission][Agency].

In case of changes to the security context, the beneficiaries must inform the coordinator, which must immediately inform the [Commission][Agency] and, if necessary, request for Annex 1 to be amended (see Article 55)].

[OPTION 2: Not applicable]

37.3 Activities involving military or dual-use goods or dangerous materials and substances

³⁵ Commission Decision 2015/444/EC, Euratom of 13 March 2015 on the security rules for protecting EU classified information.

[OPTION 1 if applicable to the grant: Activities involving military or dual-use goods (technology, software or other) or dangerous materials and substances must comply with applicable EU, national and international law.

Before the beginning of the activity, the coordinator must submit to the Agency (see Article 52) a copy of any export or transfer licences required under EU, national or international law.]

[OPTION 2: Not applicable]

37.4 Consequences of non-compliance

[OPTION 1 to be used if 37.1, 37.2 and/or 37.3 are applicable: 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 38 — PROMOTING THE ACTION — VISIBILITY OF FUNDING

38.1 Communication activities by beneficiaries

38.1.1 Promotion of the action and its results

[OPTION 1 (optional promotion): The beneficiaries may 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.]

[OPTION 2 (promotion obligation): 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 dissemination provisions in Article 29, the confidentiality obligations in Article 36 or the security obligations in Article 37, all of which still apply.

Before engaging in a communication activity expected to have a major media impact, the beneficiaries must inform the Agency (see Article 52).

38.1.2 Information on funding — Obligation and right to use the Agency logo and EU emblem

Unless the Agency 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 Agency logo

(b) display the EU emblem and

(c) include the following text:

For communication activities: “This project has received funding from the European Union's Preparatory Action on Defence Research under grant agreement No [number]”.

For infrastructure, equipment and major results: “This [*infrastructure*][*equipment*][*insert type of result*] is part of a project that has received funding from the European Union's Preparatory Action on Defence Research under grant agreement No [number]”.

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

For the purposes of their obligations under this Article, the beneficiaries may use the logo and emblem without first obtaining approval from the Agency or the Commission.

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

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

38.1.3 Disclaimer excluding Agency responsibility

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

38.2 Communication activities by the Agency and the Commission

38.2.1 Right to use beneficiaries' materials, documents or information

The Agency 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 and the security obligations in Article 37, all of which still apply.

However, if the Agency's or the Commission's use of these materials, documents or information would risk compromising legitimate interests, the beneficiary concerned may request the Agency 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 Agency, 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 1049/2001³⁶, 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 Agency or the Commission.

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 Agency or the Commission will insert the following information:

“© – [year] – [name of the copyright owner]. All rights reserved. Licensed to the European Defence Agency (EDA) 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 Agency and the Commission

³⁶ 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.

Any personal data under the Agreement will be processed by the Agency or the Commission under Regulation No 45/2001³⁷ and according to the ‘notifications of the processing operations’ to the Data Protection Officer (DPO) of the Agency or the Commission (publicly accessible in the DPO register).

Such data will be processed by the ‘**data controller**’ of the Agency or the Commission for the purposes of implementing, managing and monitoring the Agreement or protecting the EU or Agency financial interests (including checks, reviews, audits and investigations; see Article 22).

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 Agency 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 Agency or the Commission. For this purpose, they must provide them with the privacy statement(s) (see above), before transmitting their data to the Agency or the Commission.

39.3 Consequences of non-compliance

If a beneficiary breaches any of its obligations under Article 39.2, the Agency may apply any of the measures described in Chapter 6.

ARTICLE 40 — ASSIGNMENTS OF CLAIMS FOR PAYMENT AGAINST THE AGENCY

The beneficiaries may not assign any of their claims for payment against the Agency to any third party, except if approved by the Agency on the basis of a reasoned, written request by the coordinator (on behalf of the beneficiary concerned).

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

³⁷ 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 beneficiaries from their obligations towards the Agency.

CHAPTER 5 DIVISION OF BENEFICIARIES' ROLES AND RESPONSIBILITIES — RELATIONSHIP WITH COMPLEMENTARY BENEFICIARIES

ARTICLE 41 — DIVISION OF BENEFICIARIES' ROLES AND RESPONSIBILITIES — RELATIONSHIP WITH COMPLEMENTARY BENEFICIARIES

41.1 Roles and responsibilities towards the Agency

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 funding for doing so), unless the Agency expressly relieves them of this obligation.

The **financial responsibility** of each beneficiary is governed by Article 44.

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) keep information stored in the Participant Portal Beneficiary Register (via the electronic exchange system) up to date (see Article 17);
 - (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 technical reports (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 Agency or the Commission under the Agreement, unless the Agreement requires the beneficiary to submit this information directly to the Agency or the Commission.

(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 Agency (in particular, providing the Agency with the information described in Article 17), unless the Agreement specifies otherwise;
- (iii) provide a pre-financing guarantee, if requested by the Agency (see Article 21.2);
- (iv) request and review any documents or information required by the Agency and verify their completeness and correctness before passing them on to the Agency;
- (v) submit the deliverables and reports to the Agency (see Articles 19 and 20);
- (vi) ensure that all payments are made to the other beneficiaries without unjustified delay (see Article 21);
- (vii) inform the Agency of the amounts paid to each beneficiary, when required under the Agreement (see Articles 44 and 50) or requested by the Agency.

The coordinator may not subcontract the above-mentioned tasks.

41.3 Internal arrangements between beneficiaries — Consortium agreement

[OPTION 1 to be used, unless the call for proposals specifies that there is no need for a consortium agreement: The beneficiaries must have internal arrangements regarding their operation and co-ordination to ensure that the action is implemented properly. These internal arrangements must be set out in a written ‘consortium agreement’ between the beneficiaries, which may cover:

- *internal organisation of the consortium;*
- *management of access to the electronic exchange system;*
- *distribution of the payments;*
- *additional rules on rights and obligations related to background and results (including whether access rights remain or not, if a beneficiary is in breach of its obligations) (see Section 3 of Chapter 4);*
- *settlement of internal disputes;*

- *liability, indemnification and confidentiality arrangements between the beneficiaries.*

The consortium agreement must not contain any provision contrary to the Agreement.

[OPTION 2: Not applicable]

41.4 Relationship with complementary beneficiaries — Collaboration agreement

[OPTION 1 for complementary grants if foreseen in the call for proposals: The beneficiaries must conclude a written ‘collaboration agreement’ with the complementary beneficiaries to coordinate the work under the Agreement and the complementary grant agreement(s) (see Article 2), covering for instance:

- *efficient decision making processes and*
- *settlement of disputes.*

The collaboration agreement must not contain any provision contrary to the Agreement.

The beneficiaries and complementary beneficiaries must create and participate in common boards and advisory structures to decide on collaboration and synchronisation of activities, including on management of outcomes, common approaches towards standardisation, SME involvement, links with regulatory and policy activities, and commonly shared dissemination and awareness raising activities.

The beneficiaries must give access to their results to the complementary beneficiaries, for the purposes of the complementary grant agreement(s) (see Article 31.6).

The beneficiaries must share the technical reports (see Article 20.3 and 20.4). The confidentiality obligations in Article 36 apply.]

[OPTION 2: 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 Agency will —at the time of an **interim payment, 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 [*OPTION if lump sum foreseen in Article 5.2:; except for lump sum costs, which will be rejected proportionally to the tasks or parts of the action not implemented*].

If the rejection of costs does not lead to a recovery (see Article 44), the Agency 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 Agency of its disagreement and the reasons why.

If the rejection of costs leads to a recovery, the Agency will follow the contradictory procedure with pre-information letter set out in Article 44.

42.3 Effects

If the Agency rejects costs at the time of an **interim payment or the payment of the balance**, it will deduct them from the total eligible costs declared, for the action, in the periodic or final summary financial statement (see Articles 20.3 and 20.4). It will then calculate the interim payment or payment of the balance as set out in Articles 21.3 or 21.4.

If the Agency — **after an interim payment but before the payment of the balance** — rejects costs declared in a periodic summary financial statement, it will deduct them from the costs declared in the next periodic summary financial statement or final summary financial statement. It will then calculate the interim payment or payment of the balance as set out in Articles 21.3 or 21.4.

If the Agency 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. If the revised final grant amount for the beneficiary concerned is lower than its share of the final grant amount, the Agency will recover the difference (see Article 44).

ARTICLE 43 — REDUCTION OF THE GRANT

43.1 Conditions

The Agency may —**at the payment of the balance or afterwards** — reduce the maximum 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 Agency, 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 Agency 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 Agency 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 Agency 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 Agency 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 Agency will recover the difference (see Article 44).

ARTICLE 44 — RECOVERY OF UNDUE AMOUNTS

44.1 Amount to be recovered — Calculation — Procedure

The Agency will — **at the payment of the balance** or **afterwards** — claim back any amount that was paid but is not due under the Agreement.

[OPTION 1 if Agency requires ‘unconditional joint and several liability’ of other beneficiaries: *The beneficiaries (including the coordinator) are jointly and severally liable for repaying any debts under the Agreement (including late-payment interest) — up to the maximum grant amount set out in Article 5.1.]* **[OPTION 2 if Agency requires ‘limited joint and several liability’ of other beneficiaries (with individual ceilings):** *The beneficiaries (including the coordinator) are jointly and severally liable for repaying any debts under the Agreement (including late-payment interest) — up to the maximum Agency contribution indicated, for each beneficiary, in the estimated budget (as last amended; see Annex 2).]* **[OPTION 3 if Agency accepts individual financial responsibility:** *The beneficiaries’ financial responsibility in case of recovery is limited, for each beneficiary, to its own debt.]*

[OPTION if Article 14 applies: *Undue amounts paid by the Agency for costs declared by a linked third party will be considered as amounts unduly paid to the beneficiary.]*

44.1.1 Recovery after termination of a beneficiary’s participation

Not applicable

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 Agency 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;
- 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 Agency 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 formally notify to the coordinator a **debit note** for to be recovered. This note will also specify the terms and the date for payment.

If the coordinator does not repay the Agency by the date in the debit note and has not submitted the report on the distribution of payments, the Agency or the Commission will **recover** the amount set out in the debit note from the coordinator (see below).

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

- (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 Agency 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 Agency multiplied by the reimbursement rate set out in Article 5.2 for each linked third party concerned]

divided by

the Agency contribution for the action calculated according to Article 5.3.1 }

multiplied by

the final grant amount (see Article 5.3) },

minus

{ pre-financing and interim payments 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 Agency will **recover** the amount:

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

In exceptional circumstances, to safeguard the EU or Agency financial interests, the Agency may offset before the payment date specified in the debit note.

- (b) **[OPTION 1 if Agency requires pre-financing guarantee: by drawing on the financial guarantee of the beneficiary concerned (if any) (see Article 21.2)] [OPTION 2: not applicable];**

(c) **[OPTION 1 if Agency requires ‘unconditional joint and several liability’ of other beneficiaries:** *by holding the other beneficiaries jointly and severally liable — up to the maximum grant amount set out in Article 5.1.] [OPTION 2 if Agency requires ‘limited joint and several liability’ of other beneficiaries (with individual ceilings):* *by holding the other beneficiaries jointly and severally liable — up to the maximum Agency contribution indicated, for the concerned beneficiary, in the estimated budget (as last amended; see Annex 2)] [OPTION 3: not applicable];*

(d) 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 Agency 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 Agency.

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 Agency 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 Agency multiplied by the reimbursement rate set out in Article 5.2 for each linked third party concerned] }

divided by

the Agency 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 Agency will also recover these amounts.

The Agency 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 Agency 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 Agency will **recover** the amount:

- (a) by **offsetting** it — without the beneficiary’s consent — against any amounts owed to the beneficiary concerned by the Agency.

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

- (b) *[OPTION 1 if Agency requires ‘unconditional joint and several liability’ of other beneficiaries: by holding the other beneficiaries jointly and severally liable — up to the maximum grant amount set out in Article 5.1.] [OPTION 2 if Agency requires ‘limited joint and several liability’ of other beneficiaries (with individual ceilings): by holding the other beneficiaries jointly and severally liable — up to the maximum EU contribution indicated, for the concerned beneficiary, in the estimated budget (as last amended; see Annex 2)] [OPTION 3: not applicable];*

- (c) 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 Agency 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 administrative sanctions may be imposed under Articles 106 and 131(4) of the EU Financial Regulation No 966/2012 (i.e. exclusion from future procurement contracts, grants, prizes and expert contracts and/or financial penalties).

SECTION 2 LIABILITY FOR DAMAGES

ARTICLE 46 — LIABILITY FOR DAMAGES

46.1 Liability of the Agency

The Agency 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 Agency 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 Agency 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 Agency 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 Agency will formally notify the coordinator of the suspension and the reasons why.

The suspension will **take effect** the day notification is sent by the Agency (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 Agency 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 Agency may also terminate the Agreement or the participation of the beneficiary (see Article 50.3.1(1)).

ARTICLE 48 — SUSPENSION OF PAYMENTS

48.1 Conditions

The Agency may — at any moment — suspend, 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 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 Agency, 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 Agency 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 Agency 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 Agency 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 Agency.

If the conditions for resuming payments are met, the suspension will be **lifted**. The Agency will formally notify the coordinator or beneficiary concerned.

During the suspension, the periodic report(s) for all reporting periods except the last one (see Article 20.3) must not contain any individual financial statements from the beneficiary concerned [*and its linked third parties*]. The coordinator must include them in the next periodic report after the suspension is lifted or — if suspension is not lifted before the end of the action — in the last periodic report.

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 Agency 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 Agency.

Once circumstances allow for implementation to resume, the coordinator must immediately formally notify the Agency 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 Agency

49.2.1 Conditions

The Agency may suspend implementation of the action or any part of it, if:

- (a) 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 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);
- (b) a beneficiary (or a natural person who has the power to represent or take decisions on its behalf) has committed — in other Agency, 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) the action is suspected of having lost its scientific or technological relevance.

49.2.2 Procedure

Before suspending implementation of the action, the Agency 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 Agency 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 Agency (see Article 46).

Suspension of the action implementation does not affect the Agency'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 Agency (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 Agency 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) a periodic report (for the open reporting period until termination; see Article 20.3) and
- (ii) the final report (see Article 20.4).

If the Agency 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 Agency 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 Agency (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 Agency 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 20.3 and 20.4).

The information in the termination report must also be included in the periodic report for the next reporting period (see Article 20.3).

If the request for amendment is rejected by the Agency (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 Agency, the Agreement is **amended** to introduce the necessary changes (see Article 55).

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, 40, 42, 43 and 44) continue to apply.

50.3 Termination of the Agreement or the participation of one or more beneficiaries, by the Agency

50.3.1 Conditions

The Agency 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 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) the action has lost scientific or technological relevance;
- (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, terrorism-related crimes (including terrorism financing), child labour or human trafficking;
- (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 Agency, 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) *[OPTION 1: despite a specific request by the Agency, a beneficiary does not request — through the coordinator — an amendment to the Agreement to end the participation of one of its linked third parties that is in one of the situations under points (e), (f), (g), (k), (l) or (m) and to reallocate its tasks][OPTION 2: not applicable].*

50.3.2 Procedure

Before terminating the Agreement or participation of one or more beneficiaries, the Agency 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 Agency of the measures to ensure compliance with the obligations under the Agreement.

If the Agency 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), (h), (j), (l.ii), and (n) above: on the day specified in the notification of the confirmation (see above);
- for terminations under Points (a), (d), (f), (i), (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) a periodic report (for the last open reporting period until termination; see Article 20.3) and
- (ii) a final report (see Article 20.4).

If the Agreement is terminated for breach of the obligation to submit reports (see Articles 20.8 and 50.3.1(l)), the coordinator may not submit any reports after termination.

If the Agency 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 Agency 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 Agency'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 Agency (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 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.

The beneficiary concerned must submit to the coordinator:

- (i) a technical report and
- (ii) a financial statement covering the period from the end of the last reporting period to the date when termination takes effect.

This information must be included by the coordinator in the periodic report for the next reporting period (see Article 20.3).

If the request for amendment is rejected by the Agency (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 Agency, the Agreement is **amended** to introduce the necessary changes (see Article 55).

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

Updates in the Participant Portal Beneficiary Register will be done directly via the electronic exchange system.

Other communication under the Agreement (information, requests, submissions, ‘formal notifications’, etc.) must:

- be made in writing and
- bear the number of the Agreement.

Formal notifications must be sent by registered post with proof of delivery to the addresses set out below.

Other communications may be sent by paper or to the e-mail addresses set out below (or via other means agreed with the Agency).

52.2 Date of communication

Communications are considered to have been made when the receiving party receives them.

E-mail communications are considered to have been received when they are sent by the sending party (i.e. on the date and time they are sent). If the sending party receives a non-delivery report, it must immediately try to send the communication via other means.

Paper communications are considered to have been received when they arrive at the receiving party (for the Agency: entry stamp of the competent department).

Formal notifications 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.

52.3 Addresses for communication

Paper communications and formal notifications to the Agency must be sent to the official mailing address indicated on the Agency's website. E-mail communications must be sent to the following e-mail address: [insert functional mailbox].

All communications to the beneficiaries will be sent to the addresses specified in the Participant Portal Beneficiary Register.

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

[OPTION 1 for all international organisations: Nothing in the Agreement may be interpreted as a waiver of any privileges or immunities accorded to the [insert name of international organisation(s)] by its constituent documents or international law.]

[OPTION 2: Not applicable]

ARTICLE 54 — CALCULATION OF PERIODS, DATES AND DEADLINES

In accordance with Regulation No 1182/71³⁸, 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 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

³⁸ 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 party requesting an amendment must formally notify a signed request for amendment (see Article 52).

The coordinator notifies and receives requests for amendment on behalf of the beneficiaries (see Annex 3).

If a change of coordinator is requested without its agreement, the notification 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 Agency may request additional information.

If the party receiving the request agrees, it must return the signed amendment by formal notification — within 45 days. 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) and formally notifying it to the Agency (see Article 52) — within 30 days after the into force of the Agreement (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 (see Article 55). This does not affect the Agency'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 formally notify 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.

[additional OPTION for international organisations that do not accept any applicable law clause: As an exception, there is no applicable law for [insert name(s) of the international organisations concerned]].

[additional OPTION for international organisations that would accept an applicable law clause, but not the standard clause (EU + Belgian law): As an exception, the Agreement is governed by a different applicable law for the following beneficiaries:

- *[insert name(s) of the international organisations concerned]: [by the applicable EU law][, supplemented if necessary][by the law of [Belgium][insert name of another Member State or EFTA country]][and, where appropriate,][by the general principles governing the law of international organisations and the rules of general international law]*
- *[insert name(s) of the international organisations concerned]: [by the applicable EU law][, supplemented if necessary][by the law of [Belgium][insert name of another Member State or EFTA country]][and, where appropriate,][by the general principles governing the law of international organisations and the rules of general international law]*
[same for other international organisations].]

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).

[additional OPTION for non-EU beneficiaries (except beneficiaries established in an associated country with an association agreement to PADR that stipulates sole jurisdiction of the European Court of Justice): As an exception, if such a dispute is between the Agency

and [insert non-EU beneficiary(ies) name(s)], the competent Belgian courts have sole jurisdiction.]

[additional OPTION for international organisations and for beneficiaries not eligible for funding which according to their national law cannot be subject to the jurisdiction of the Belgian courts: As an exception, for the following beneficiaries:

- [insert name of international organisation or beneficiary not eligible for funding]
 - [insert name of international organisation or beneficiary not eligible for funding]
- [same for other beneficiaries that are international organisations or beneficiaries not eligible for funding]

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 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. 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, 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 Agency or the coordinator, depending on which is later.

SIGNATURES

For the coordinator

[function/forename/surname]

[signature]

Done in English on [insert date]

For the Agency

forename/surname]

[signature]

Done in English on [insert date]

Grant Agreement number: [insert number] [insert acronym] [insert call identifier]

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MODEL ANNEX 2 FOR EDA MGA — MULTI

ESTIMATED BUDGET FOR THE ACTION

Estimated eligible ¹ costs (per budget category)										EU contribution			Additional information					
A. Direct personnel costs				B. Direct costs of subcontracting		[C. Direct costs of financial support]	D. Other direct costs			E. Indirect costs ²	Total costs	Reimbursement rate %	Maximum Agency contribution ³	Maximum grant amount ⁴	Information for indirect costs:	Information for auditors:	Other information:	
A.1 Employees (or equivalent)		A.4 SME owners without salary				[C.1 Financial support]	D.1 Travel	[D.4 Costs of large research infrastructure]	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				[C.2 Prizes]	D.2 Equipment											
A.3 Seconded persons							D.3 Other goods and services											
Form of costs ⁵		Actual	Unit ⁶	Unit ⁷		Actual	Actual	Actual	Actual	Unit ⁸	Flat-rate ⁹							
				No hours	Total a3	b	[c]	d1	[d2]	Total d3	e=0,25 x (a1 + a2 + a3 + d1 + d3)	f = a1 + a2 + a3 + b + d1 + d3 + e	g	h = f * g	i	j	Yes/No	k
1 [short name beneficiary]																		
[short name linked third party]																		
Total beneficiary																		
2 [short name beneficiary]																		
[short name linked third party]																		
Total beneficiary																		
Total consortium																		

¹ See Article 6 for the eligibility conditions. All amounts must be expressed in EUR (see Article 20.6 for the conversion rules).

² 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 GA. 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 cover any costs of the action (see Article 6.2.E).

³ This is the theoretical amount of EU contribution that the system calculates automatically (by multiplying all the budgeted costs by the reimbursement rate). This theoretical amount is capped by the 'maximum grant amount' (that the Agency decided to grant for the action) (see Article 5.1).

⁴ The 'maximum grant amount' is the maximum grant amount decided by the Agency. 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 the beneficiary's usual accounting practice

⁷ See Annex 2a 'Additional information on the estimated budget' for the details (costs per hour (hourly rate)).

⁸ Unit and costs per unit : calculated according to the beneficiary's usual accounting practice.

⁹ Flat rate : 25% of eligible direct costs, from which are excluded: direct costs of subcontracting.

ADDITIONAL INFORMATION ON THE ESTIMATED BUDGET

- Instructions and footnotes in blue will not appear in the text generated by the IT system (since they are internal instructions only).
- For options [in square brackets]: the applicable option will be chosen by the IT system. Options not chosen will automatically not appear.
- For fields in [grey in square brackets] (even if they are part of an option as specified in the previous item): IT system will enter the appropriate data.

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

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 beneficiary 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%		

PADR associated countries

country	coefficient
NO	131.9%

[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

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*] No [insert beneficiary no]

in Grant Agreement No [insert agreement number] ('the Agreement')

between [full official name of the coordinator] and the European Defence Agency (EDA) ('the Agency'),

for the action entitled [insert title of the action (insert acronym)].

[OPTION for beneficiaries/new beneficiaries: 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 the grant in accordance with the Agreement, with all the obligations and conditions it sets out [*OPTION for new beneficiaries:, 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 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 Agency agrees with the request for amendment*].

SIGNATURE

For the beneficiary/new beneficiary/new coordinator:

[function/forename/surname]

[signature]

Done in English on [insert date]

Grant Agreement number: [insert number] [insert acronym] [insert call identifier]

① print format A4 landscape

MODEL ANNEX 4 FOR EDA MGA — MULTI

FINANCIAL STATEMENT FOR [BENEFICIARY [name]/ LINKED THIRD PARTY [name]] FOR REPORTING PERIOD [reporting period]

Eligible ¹ costs (per budget category)										Receipts	EU contribution			Additional information		
A. Direct personnel costs		B. Direct costs of subcontracting		[C. Direct costs of financial support]		D. Other direct costs			E. Indirect costs ²	Total costs	Receipts	Reimbursement rate % ³	Maximum Agency contribution ⁴	Requested Agency contribution	Information for indirect costs :	
A.1 Employees (or equivalent)	A.4 SME owners without salary			[C.1 Financial support]	D.1 Travel	[D.4 Costs of large research infrastructure]	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			[C.2 Prizes]	D.2 Equipment											
A.3 Seconded persons					D.3 Other goods and services											
Form of costs ⁵	Actual	Unit	Unit ⁶		Actual	Actual	Actual	Actual	Unit	Flat-rate ⁷						
			No hours	Total a3						25%						
	a1	Total a2		Total a3	b	[c]	d1	[d2]	Total d3	$e=0,25 \times (a1 + a2 + a3 + d1 + d3)$	$f = a1 + a2 + a3 + b + d1 + d3 + e$	g	h	$i = f * h$	j	k
[short name beneficiary/linked third party]																

The beneficiary/linked third party 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).
 For the last reporting period: that 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 later on, in order to replace other costs that are found to be ineligible.

¹ See Article 6 for the eligibility conditions. All amounts must be expressed in EUR (see Article 20.6 for the conversion rules).

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 6.5.(b)). If you have received an operating grant during this reporting period, you cannot claim indirect costs, unless you can demonstrate that the operating grant does not cover any costs of the action (see Article 6.2.E). This requires specific accounting tools. Please contact us immediately via the Participant Portal for details.

³ See Article 5.2 for the reimbursement rate.

⁴ This is the theoretical amount of Agency contribution that the system calculates automatically (by multiplying the reimbursement rate by the total costs declared). The amount you request (in the column 'requested Agency contribution') may be less.

⁵ See Article 5 for the cost forms.

⁶ See Annex 2a 'Additional information on the estimated budget' for the details (units, cost per unit).

⁷ See Article 6.2.E for the flat-rate.

ANNEX 5

MODEL FOR THE CERTIFICATE ON THE FINANCIAL STATEMENTS (CFS)

This document sets out:

- the objectives and scope of the independent report of factual findings on costs declared under a EU grant agreement financed under the Preparatory Action for Defence Research and
- a model for the certificate on the financial statement (CFS).

1. Background and subject matter

Within 60 days of the end of each reporting period, the coordinator must submit to the Agency a **periodic report**, which should include (among other documents and unless otherwise specified in Article 20 of the Grant Agreement) a **certified financial statement** (CFS; see proposed model below) for each beneficiary and (if applicable) each linked third party, if:

- the cumulative amount of EU contribution it requests as reimbursement of actual costs is EUR 325 000 or more and
- the maximum EU contribution indicated for that beneficiary/linked third party in the estimated budget (see Annex 2) as reimbursement of actual costs is EUR 750 000 or more.

The CFS must be submitted every time the cumulative amount of payments requested (i.e. including in previous financial statements) reaches the threshold (i.e. a first certificate once the cumulative amount reaches 325 000, a second certificate once it reaches 650 000, a third certificate once it reaches 975 000, etc.).

Once the threshold is reached, the CFS must cover all reporting periods for which no certificate has yet been submitted.

The beneficiary must provide the CFS for itself and, if applicable, for its linked third party(ies).

The **purpose** of the audit on which the CFS is based is to give the Agency ‘reasonable assurance’³⁹ that costs declared as eligible costs under the grant (and, if relevant, receipts generated in the course of the action) are being claimed by the beneficiary/linked third party in accordance with the relevant legal and financial provisions of the Grant Agreement.

³⁹ This means a high degree of confidence.

The **scope** of the audit is limited to the verification of eligible costs included in the CFS. The audit must be conducted in line with this template.

Certifying auditors must carry out the audits in compliance with generally accepted **audit standards** and indicate which standards they have applied. They must bear in mind that, to establish a CFS, they must carry out a compliance audit and not a normal statutory audit. The eligibility criteria in the Grant Agreement always override normal accounting practices.

The beneficiary/linked third party and the auditor are expected to address any **questions on factual data or detailed calculations** before the financial statement and the accompanying certificate are submitted. It is also recommended that the beneficiary/linked third party take into account the auditor's preliminary comments and suggestions in order to avoid a qualified opinion or reduce the scope of the qualifications.

Since the certificate is the main source of assurance for cost claims and payments, it will be easier to consider amounts as eligible if a **non-qualified certificate** is provided.

The submission of a certificate does not affect the Agency's right to carry out its **own assessment or audits**. Neither does the reimbursement of costs covered by a certificate preclude the Agency, the Commission, the European Anti-Fraud Office (OLAF) or the European Court of Auditors from carrying out checks, reviews, audits and investigations in accordance with Article 22 of the Grant Agreement. The CFS audit is not a full-fledged audit according to international auditing standards and does not give assurance about the legality and regularity of the costs declared.

The Agency expects the certificates to be issued by auditors according to the highest professional standards.

2. Auditors who may deliver a certificate

The beneficiary/linked third party is free to choose a **qualified external auditor**, including its usual external auditor, provided that:

- the external auditor is **independent** from the beneficiary/linked third party and
- the provisions of **Directive 2006/43/EC**⁴⁰ are complied with.

Independence is one of the qualities that permit the auditor to apply unbiased judgement and objective consideration to established facts to arrive at an opinion or a decision. It also means that the auditor works without direction or interference of any kind from the beneficiary/linked third party.

Auditors are considered as providing services to the beneficiary/linked third party under a **purchase contract** within the meaning of Article 10 of the Grant Agreement. This means that the costs of the CFS may normally be declared as costs incurred for the action, if the cost eligibility rules set out in Articles 6 and 10.1.1 of the Grant Agreement are fulfilled (especially:

⁴⁰ 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 or similar national regulations (OJ L 157, 9.6.2006, p. 87).

best value for money and no conflict of interests; see also below costs of other goods and services). Where the beneficiary/linked third party uses its usual external auditor, it is presumed that they already have an agreement that complies with these provisions and there is no obligation to find new bids. Where the beneficiary/linked third party uses an external auditor who is not their usual external auditor, it must select an auditor following the rules set out in Article 10.1.1.

Public bodies can choose an external auditor or a competent public officer. In the latter case, the auditor's independence is usually defined as independence from the audited beneficiary/linked third party 'in fact and in appearance'. A preliminary condition is that this officer was not involved in any way in drawing up the financial statements. Relevant national authorities establish the legal capacity of the officer to carry out audits of that specific public body. The certificate should refer to this appointment.

3. Audit methodology and expected results

The auditor must check the costs and receipts declared on the basis of inquiry and analysis, (re)computation, comparison, other accuracy checks, observation, inspection of records and documents and by interviewing the beneficiary/linked third party (and the persons working for it).

The audit must be conducted following the template for the report on the findings.

Certificate on the financial statement (CFS)

To

[Beneficiary/linked third party's full name
address]

We, [full name of the audit firm/organisation], established in [full address/city/country], represented for signature of this audit certificate by [name and function of an authorised representative],

hereby certify

that:

1. We have **conducted an audit** relating to the costs declared in the financial statement of [name of beneficiary/linked third party] (the [‘beneficiary’]/[‘linked third party’]), to which this audit certificate is attached and which is to be presented to the European Defence Agency under Grant Agreement No [insert number] — [insert acronym], covering costs for the following reporting period(s): [insert reporting period(s)].
2. We confirm that our audit was **carried out in accordance with generally accepted auditing standards** in compliance with ethical rules and on the basis of the provisions of the **Grant Agreement** and its Annexes (and in particular the audit methodology described in Annex 5).
3. The financial statement was examined and all necessary tests were carried out in order to obtain **reasonable assurance that**, in our opinion and on the basis of our audit
 - **actual costs** of EUR [insert number] ([insert amount in words]) are eligible
 - **unit costs** of EUR [insert number] ([insert amount in words]) are eligible
 - **receipts** of EUR [insert number] ([insert amount in words]) have been declared under Article 5.3.3 of the Grant Agreement and
 - the [beneficiary's]/[linked third party's] **accounting procedures** are in compliance with the accounting rules of the state in which it is established and permit direct reconciliation of the costs incurred for the implementation of the action covered by the Agency grant with the overall statement of accounts relating to its overall activity.

[However, our audit opinion is **qualified** for:

- actual costs of EUR [insert number]

- unit costs of EUR [insert number]
- receipts of EUR [insert number]

which in our opinion do not comply with the applicable rules.]

4. The **findings** are described in the report attached.
5. We are qualified/authorised to deliver this audit certificate [(for additional information, see appendix to this certificate)].
6. The [beneficiary//linked third party] paid a **price** of EUR [insert number] (including VAT of EUR [insert number]) for this audit certificate. [OPTION 1: These costs are eligible (i.e. incurred within 60 days of the end of the action referred to in Article 3 of the Grant Agreement) and included in the financial statement.][OPTION 2: These costs were not included in the financial statement.]

Date, signature and stamp

Report on the findings

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. The reasons of the non-application of a certain finding must be obvious (i.e. if no cost was declared under a certain OR if the condition set to apply certain procedure(s) are not met, 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.)

Summary

Not applicable findings

The following findings were not applicable (*list and explain why*).

Exceptions/Qualifications

The following exceptions must be noted (*list and explain the cause and possible consequences, including financial quantification*).

Other remarks

The auditor has the following general remarks:

Example

1. *Regarding Finding number 8 the conditions for additional remuneration were considered as fulfilled because ...*
2. *In order to be able to confirm the standard finding number 15 we carried out the following additional procedures:*

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
A	PERSONNEL COSTS		
	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. <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</i>		

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p><i>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>		
<p>A.1</p>	<p>PERSONNEL COSTS</p> <p><u>For the persons employees or equivalent act</u></p> <p>The auditor reviewed following information/documents provided by the beneficiary/linked third party:</p> <ul style="list-style-type: none"> ○ 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; ○ the payslips of the employees included in the sample; ○ reconciliation of the personnel costs declared in the financial statement(s) with the accounting system (project accounting and general ledger) and payroll system; ○ information concerning the employment status and employment conditions of personnel included in the sample, in particular their employment contracts or equivalent; ○ the beneficiary/linked third party’s usual policy regarding payroll matters (e.g. salary policy, overtime policy, variable pay); ○ applicable national law on taxes, labour and social security and ○ any other document that supports the personnel costs declared. 	<p>1) The employees were i) directly hired by the beneficiary/linked third party in accordance with its national legislation, ii) under the beneficiary/linked third party’s sole technical supervision and responsibility and iii) remunerated in accordance with the beneficiary/linked third party’s usual practices.</p> <p>2) Personnel costs were recorded in the beneficiary/linked third party's accounts/payroll system.</p> <p>3) Costs were adequately supported and reconciled with the accounts and payroll records.</p> <p>4) Personnel costs did not contain any ineligible elements.</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<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>	<p>5) There were no discrepancies between the personnel costs charged to the action and the costs recalculated by the auditor.</p>	
	<p><i>Further procedures if 'additional remuneration' is paid</i></p> <p>The auditor:</p> <ul style="list-style-type: none"> ○ reviewed relevant documents provided by the beneficiary/linked third party (legal/statutory obligations, the beneficiary/linked third party's usual policy on additional remuneration, criteria used for its calculation...) <p><i>IF ANY PART OF THE REMUNERATION PAID TO THE EMPLOYEE IS NOT MANDATORY ACCORDING TO THE NATIONAL LAW OR THE EMPLOYMENT CONTRACT ("ADDITIONAL REMUNERATION") AND IS ELIGIBLE UNDER THE PROVISIONS OF ARTICLE 6.2.A.1, THIS CAN BE CHARGED AS ELIGIBLE COST TO THE ACTION.</i></p>	<p>6) The amount of additional remuneration paid corresponded to the beneficiary/linked third party's usual remuneration practices and was consistently paid whenever the same kind of work or expertise was required.</p>	
		<p>7) The criteria used to calculate the additional remuneration were objective and generally applied by the beneficiary/linked third party regardless of the source of funding used.</p>	
		<p>8) The personnel costs included in the financial statement were calculated in accordance with the beneficiary/linked third party's usual cost accounting practice. This methodology was consistently used in all PADR actions.</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
		9) The employees were charged under the correct category.	
	<p><i>Additional procedures in case personnel costs were declared on basis of unit costs calculated in accordance with the beneficiary/linked third party's usual cost accounting practices:</i></p> <p>The auditor:</p>	10) Total personnel costs used in calculating the unit costs were consistent with the expenses recorded in the statutory accounts.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<ul style="list-style-type: none"> ○ obtained a description of the beneficiary/linked third party's usual cost accounting practice to calculate unit costs; ○ reviewed whether the beneficiary/linked third party's usual cost accounting practice was applied for the Financial Statements subject of the present CFS; ○ verified the employees included in the sample were charged under the correct category (in accordance with the criteria used by the beneficiary/linked third party to establish personnel categories) by reviewing the contract/HR-record or analytical accounting records; ○ 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; ○ 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>11) Any estimated or budgeted element used by the beneficiary/linked third party in its unit-cost calculation were relevant for calculating personnel costs and corresponded to objective and verifiable information.</p>	
	<p><u>For persons working under a direct contract (e.g. in-house consultants (no subcontractors))</u></p> <p>The auditor reviewed following information/documents provided by the beneficiary/linked third party:</p> <ul style="list-style-type: none"> ○ the contracts, especially the cost, contract duration, work description, place of work, ownership of the results and reporting obligations to the beneficiary/linked third party; 	<p>12) The natural 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.). 	13)	
		14) The results of work carried out belong to the beneficiary/linked third party (unless agreed otherwise). If agreed otherwise, the beneficiary/linked third party has obtained all necessary rights to fulfil its obligations as if those results were generated by itself.	
		15) Their costs were not significantly different from those for staff who performed similar tasks under an employment contract with the beneficiary/linked third party.	
		16) The costs were supported by audit evidence and registered in the accounts.	
	<u>For seconded personnel (not subcontractors)</u>	17) Seconded personnel reported to the beneficiary/linked third party and worked on the	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>The auditor reviewed following information/documents provided by the beneficiary/linked third party:</p> <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 beneficiary/linked third party 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); ○ any other document that supports the costs declared (e.g. invoices, etc.). 	<p>beneficiary/linked third party’s premises (unless otherwise agreed).</p>	
		<p>18) The results of work carried out belong to the beneficiary/linked third party (unless agreed otherwise). If agreed otherwise, the beneficiary/linked third party has obtained all necessary rights to fulfil its obligations as if those results were generated by itself.</p>	
		<p>19) The costs declared were supported with documentation and recorded in the beneficiary/linked third party’s accounts.</p>	
		<p>20) The beneficiary/linked third party 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> <p>[C: ‘standard annual productive hours’ used correspond to usual accounting practices]</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
<p>A.2</p>	<p>PRODUCTIVE HOURS</p> <p>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> <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 beneficiary/linked third party 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 beneficiary/linked third party 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>BENEFICIARY/LINKED THIRD PARTY'S PRODUCTIVE HOURS' FOR PERSONS WORKING FULL TIME MUST 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 BENEFICIARY/LINKED THIRD PARTY 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</i></p>	<p>productive hours were calculated annually.</p>	
		<p>21) For employees not working full-time, the full-time equivalent (FTE) ratio was correctly applied.</p>	
		<p><i>If the beneficiary/linked third party applied method B:</i></p> <p>22) The calculation of the number of ‘annual workable hours’, overtime and absences was verifiable based on the documents provided by the beneficiary/linked third party.</p> <p>23) The beneficiary/linked third party 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/linked third party applied method C:</i></p> <p>The calculation of the number of ‘standard annual workable hours’ was verifiable based on the</p>			

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p><i>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 BENEFICIARY/LINKED THIRD PARTY 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.</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>documents provided by the beneficiary/linked third party.</p> <p>24) The ‘annual productive hours’ used for calculating the hourly rate were consistent with the usual cost accounting practices of the beneficiary/linked third party and were equivalent to at least 90 % of the ‘annual workable hours’.</p>	
<p>A.3</p>	<p>HOURLY PERSONNEL RATES</p> <p><u>For unit costs calculated in accordance to the beneficiary/linked third party's usual cost accounting practice (unit costs):</u></p> <p>If the beneficiary/linked third party has a certificate on the methodology to calculate unit costs (CoMUC) approved by the Agency, the beneficiary/linked third party provides the auditor with a description of the methodology and the Agency’s approval. The auditor verified that the beneficiary/linked third party has indeed used the methodology approved. If so, no further verification is necessary.</p>	<p>25) The beneficiary/linked third party applied (<i>choose one option and delete the other</i>):</p> <p>[Option 1: “Unit costs (hourly rates) were calculated in accordance with the beneficiary’s usual cost accounting practices”]</p> <p>[Option 2: Individual hourly rates were applied]</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>If the beneficiary/linked third party does not have a certificate on the methodology to calculate unit costs (CoMUC), or if the methodology approved was not applied, then the auditor:</p> <ul style="list-style-type: none"> ○ reviewed the documentation provided by the beneficiary/linked third party, 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>For individual hourly rates:</u></p> <p>The auditor:</p> <ul style="list-style-type: none"> ○ reviewed the documentation provided by the beneficiary, 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 beneficiary/linked third party uses annual rates, recalculation of three months selected randomly for every year and person if the beneficiary/linked third party 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 beneficiary/linked third party has included only the share which is generated in the month. <p><u>UNIT COSTS CALCULATED BY THE BENEFICIARY/LINKED THIRD PARTY IN ACCORDANCE WITH ITS USUAL COST ACCOUNTING PRACTICES:</u></p> <p><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/LINKED THIRD PARTY IN ACCORDANCE WITH PROCEDURE A.2.</i></p>	<p><i>For Option 1 with CoMUC:</i></p> <p>26) The beneficiary/linked third party used the Agency-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 without CoMUC</i></p> <p>27) The unit costs re-calculated by the auditor were the same as the rates applied by the beneficiary/linked third party.</p> <p><i>For Option 2:</i></p> <p>28) The individual rates re-calculated by the auditor were the same as the rates applied by the beneficiary/linked third party.</p> <p>29) The beneficiary/linked third party used only one option (per full financial year or per month)</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p><u>HOURLY RATE FOR INDIVIDUAL ACTUAL PERSONAL COSTS:</u> <i>IT IS CALCULATED FOLLOWING ONE OF THE TWO OPTIONS BELOW:</i> 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>throughout each financial year examined.</p>	
<p>A.4</p>	<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"> ○ description of the time recording system provided by the beneficiary/linked third party (registration, authorisation, processing in the HR-system); ○ its actual implementation; ○ time records were signed at least monthly by the employees (on paper or electronically) and authorised by the project manager or another manager; ○ the hours declared were worked within the project period; ○ 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>30) 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>31) Their time-records were authorised at least monthly by the project manager or other superior.</p> <p>32) Hours declared were worked within the project period and were consistent with the presences/absences recorded in HR-records.</p>	

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>	33) 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/linked third party signed a declaration confirming that they have worked exclusively for the action.</p>	34) The exclusive work on the action is supported by a declaration signed by the beneficiary/linked third party's and by any other evidence gathered.	
B	SUBCONTRACTING COSTS		
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>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; ○ the beneficiary/linked third party ensured best value for money (normal market prices; if bidding, best quality price ratio was chosen; in case an existing framework contract was 	35) The use of claimed subcontracting costs was foreseen in Annex 1 and costs were declared in the financial statements under the subcontracting category.	
		36) 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	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>used, the framework contract must have been established on the basis of the principles of best value for money, transparency and non-discrimination).</p> <p>In particular,</p> <ul style="list-style-type: none"> i. if the beneficiary/linked third party acted as a contracting authority within the meaning of 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. ii. if the beneficiary/linked third party did not fall under the above-mentioned category the auditor verified that the beneficiary/linked third party followed their usual procurement rules. <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/linked third parties in the consortium; o there were signed agreements between the beneficiary/linked third party and the subcontractor; o there was evidence that the services were provided by subcontractor; 	<p>principle of best value for money.</p> <p><i>(if there was no bidding, mark this question as E and provide the reasons provided by the beneficiary/linked third party in the summary – in the section on exceptions. The costs will be analysed more closely by the Agency)</i></p>	
		37) The subcontracts were not awarded to other beneficiaries/linked third parties of the consortium.	
		38) All subcontracts were supported by signed agreements between the beneficiary/linked third party and the subcontractor.	
		39) There was evidence that the services were provided by the subcontractors.	
C	COSTS OF PROVIDING FINANCIAL SUPPORT TO THIRD PARTIES		
	Not applicable		

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	a)		
D	OTHER DIRECT COSTS		
D.1	<p>TRAVEL AND SUBSISTENCE COSTS</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 the highest</i>).</p> <p>The auditor inspected the sample and verified that:</p> <ul style="list-style-type: none"> ○ travel and subsistence costs were consistent with the beneficiary/linked third party's usual policy for travel. In this context, the beneficiary/linked third party provided evidence of its normal policy for travel costs (e.g. use of first class tickets, reimbursement by the beneficiary/linked third party 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; ○ 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; ○ no ineligible costs or excessive or reckless expenditure was declared (see Article 6.5 GA). 	40) Costs were incurred, approved and reimbursed in line with the beneficiary/linked third party's usual policy for travels.	
		41) There was a link between the trip and the action.	
		42) The supporting documents were consistent with each other regarding subject of the trip, dates, duration and reconciled with time records and accounting.	
		43) No ineligible costs or excessive or reckless expenditure was declared.	
D.2	DEPRECIATION COSTS FOR EQUIPMENT, INFRASTRUCTURE OR OTHER ASSETS	44) Procurement rules, principles and guides were followed.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<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 the highest).</i></p> <p>For “equipment, infrastructure or other assets” selected in the sample the Auditor verified that:</p> <ul style="list-style-type: none"> ○ they were acquired in conformity with the beneficiary/linked third party'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 they 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/linked third party’s country and with the beneficiary/linked third party’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, VAT incurred by a public body acting as a public authority, exchange rate losses, excessive or reckless expenditure were declared (see Article 6.5 GA).</p>	45) There was a link between the grant agreement and the asset charged to the action.	
		46) The asset charged to the action was traceable to the accounting records and the underlying documents.	
		47) The depreciation method used to charge the asset to the action was in line with the applicable rules of the beneficiary/linked third party's country and the beneficiary/linked third party's usual accounting policy.	
		48) The amount charged corresponded to the actual usage for the action.	
		49) No ineligible costs or excessive or reckless expenditure were declared.	
D.3	COSTS OF OTHER GOODS AND SERVICES	50) Contracts for works or services did not cover action tasks specified in Annex 1.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<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"> ○ 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 beneficiary/linked third party'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/linked third party's internal guidelines and procedures, in particular:</p> <ul style="list-style-type: none"> ○ if beneficiary/linked third party 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. ○ if the beneficiary/linked third party did not fall into the category above, the auditor verified that the beneficiary/linked third party followed their usual procurement rules. <p>For the items included in the sample the auditor also verified that:</p> <ul style="list-style-type: none"> ○ the beneficiary/linked third party ensured best value for money (normal market prices; if bidding, best quality price ratio was chosen ; in case an existing framework contract was used, the framework contract must have been established on the basis of the principles of best value for money, transparency and non-discrimination); 	<p>51) Costs were allocated to the correct action and the goods were not placed in the inventory of durable equipment.</p> <p>52) The costs were charged in line with the beneficiary/linked third party's accounting policy and were adequately supported.</p> <p>53) No ineligible costs or excessive or reckless expenditure were declared. For internal invoices/charges (charged as actual costs) only the cost element was charged, without any mark-ups.</p> <p>54) 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.</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<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><i>(if there was no bidding, mark this question as E and provide the reasons provided by the beneficiary/linked third party in the summary – in the section on exceptions. The costs will be analysed more closely by the Agency)</i></p>	
<p>D.4</p>	<p>LARGE RESEARCH INFRASTRUCTURE COSTS</p> <p>Not applicable</p> <ul style="list-style-type: none"> • 		
		<p>55)</p>	
		<p>56)</p>	
<p>D.5</p>	<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>The auditor:</p> <ul style="list-style-type: none"> ○ obtained a description of the beneficiary/linked third party's usual cost accounting practice to calculate costs of internally invoiced goods and services (unit costs); 	<p>57) The costs of internally invoiced goods and services included in the financial statement were calculated in accordance with the beneficiary/linked third party's usual cost accounting practice.</p>	
		<p>58) The cost accounting practices used to calculate the costs of</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<ul style="list-style-type: none"> ○ reviewed whether the beneficiary/linked third party's usual cost accounting practice was applied for the financial statements subject of the present CFS; ○ 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; 	internally invoiced goods and services were applied by the beneficiary/linked third party in a consistent manner based on objective criteria regardless of the source of funding.	
	<ul style="list-style-type: none"> ○ 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); 	59) The unit cost is calculated using the actual costs for the good or service recorded in the beneficiary/linked third party's accounts, excluding any ineligible cost or costs included in other budget categories.	
	<ul style="list-style-type: none"> ○ 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; ○ 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; 	60) The unit cost excludes any costs of items which are not directly linked to the production of the invoiced goods or service.	
	<ul style="list-style-type: none"> ○ 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. 	61) 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.	
		62) The costs of internally invoiced goods and services included in the financial statement were calculated in accordance with	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
		the beneficiary/linked third party's usual cost accounting practice.	
E	USE OF EXCHANGE RATES		
E.1	<p>For beneficiaries with accounts established in a currency other than euros</p> <p>The auditor sampled _____ 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 Grant Agreement (<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><i>COSTS RECORDED IN THE ACCOUNTS IN A CURRENCY OTHER THAN EURO MUST 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.htm), 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 MUST 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>	63) 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.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p><u>For beneficiaries with accounts established in euros</u></p> <p>The auditor sampled _____ 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 (<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><i>COSTS INCURRED IN ANOTHER CURRENCY MUST BE CONVERTED INTO EURO BY APPLYING THE BENEFICIARY/LINKED THIRD PARTY'S USUAL ACCOUNTING PRACTICES.</i></p>	<p>64) The beneficiary/linked third party applied its usual accounting practices.</p>	

[legal name of the audit firm]

[name and function of an authorised representative]

[dd Month yyyy]

<Signature>

ANNEX 6

MODEL FOR THE CERTIFICATE ON THE METHODOLOGY

This document sets out:

- the objectives and scope of the independent report on compliance of the unit cost methodology under a EU grant agreement financed under the Preparatory Action for Defence Research and
- a model for the certificate on the methodology (CoMUC).

1. Background and subject matter

Beneficiaries/linked third parties that declare costs on the basis of unit costs in accordance with their usual cost accounting practices can request a formal approval of their methodology by the Agency, by submitting a certificate on the methodology (CoMUC) by an independent auditor.

The **scope** of the audit is limited to the compliance of the methodology. The audit must be conducted in line with this template.

Certifying auditors must carry out the audits in compliance with generally accepted **audit standards** and indicate which standards they have applied.

The Agency expects the certificates to be issued by auditors according to the highest professional standards.

2. Auditors who may deliver a certificate

The beneficiary/linked third party is free to choose a **qualified external auditor**, including its usual external auditor, provided that:

- the external auditor is **independent** from the beneficiary/linked third party and
- the provisions of **Directive 2006/43/EC**⁴¹ are complied with.

Independence is one of the qualities that permit the auditor to apply unbiased judgement and objective consideration to established facts to arrive at an opinion or a decision. It also means that the auditor works without direction or interference of any kind from the beneficiary/linked third party.

Auditors are considered as providing services to the beneficiary/linked third party under a **purchase contract** within the meaning of Article 10 of the Grant Agreement. This means that

⁴¹ 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 or similar national regulations (OJ L 157, 9.6.2006, p. 87).

the costs of the CoMUC may normally be declared as costs incurred for the action, if the cost eligibility rules set out in Articles 6 and 10.1.1 of the Grant Agreement are fulfilled (especially: best value for money and no conflict of interests; see also below costs of other goods and services). Where the beneficiary/linked third party uses its usual external auditor, it is presumed that they already have an agreement that complies with these provisions and there is no obligation to find new bids. Where the beneficiary/linked third party uses an external auditor who is not their usual external auditor, it must select an auditor following the rules set out in Article 10.1.1.

Public bodies can choose an external auditor or a competent public officer. In the latter case, the auditor's independence is usually defined as independence from the audited beneficiary/linked third party 'in fact and in appearance'. A preliminary condition is that this officer was not involved in any way in drawing up the unit cost methodology. Relevant national authorities establish the legal capacity of the officer to carry out audits of that specific public body. The certificate should refer to this appointment.

3. Audit methodology and expected results

The auditor must check the methodology on the basis of inquiry and analysis, (re)computation, comparison, other accuracy checks, observation, inspection of records and documents and by interviewing the beneficiary/linked third party (and the persons working for it).

The audit must be conducted following the template for the report on the findings.

4. Effects

Approval is valid for all costs declared according to these cost accounting practices, including costs declared before the approval (if the beneficiary/linked third party can show that they were declared according to the approved practices).

Approval is valid for all PADR grants and as long as the usual accounting practices do not change. It is not linked or limited to a specific grant, but it is NOT valid for other EU programmes (such as H2020, COSME or FP7.)

An approved certificate does not preclude checks, reviews, audits and investigations by the Agency, the Commission, the European Anti-Fraud Office (OLAF) or the European Court of Auditors under Article 22 of the Grant Agreement.

However, costs declared in line with the methodology will normally not be challenged, unless the beneficiaries have concealed information for the purpose of the approval.

Certificate on the methodology for unit costs (CoMUC)

To
[Beneficiary/linked third party's full name
address]

We, [full name of the audit firm/organisation], established in [full address/city/country], represented for signature of this audit certificate by [name and function of an authorised representative],

hereby certify

that:

1. We have **conducted an audit** relating to the methodology used by [name of beneficiary/linked third party] (the [‘beneficiary’]/[‘linked third party’]) for the calculation of unit costs on the basis of usual accounting practices and which is to be presented to the European Defence Agency under Grant Agreement No [insert number] — [insert acronym].
2. We confirm that our audit was **carried out in accordance with generally accepted auditing standards** in compliance with ethical rules and on the basis of the provisions of the **Grant Agreement** and its Annexes (and in particular the audit methodology described in Annex 6).
3. The **findings** are described in the report attached.
4. We are qualified/authorised to deliver this audit certificate [(for additional information, see appendix to this certificate)].
5. The [beneficiary]/[linked third party] paid a **price** of EUR [insert number] (including VAT of EUR [insert number]) for this audit certificate. [OPTION 1: These costs are eligible (i.e. incurred within 60 days of the end of the action referred to in Article 3 of the Grant Agreement) and included in the financial statement.][OPTION 2: These costs were not included in the financial statement.]

Date, signature and stamp

Report on the findings

Summary

Exceptions/Qualifications

The following exceptions must be noted (*list and explain the cause and possible consequences*).

Examples:

1. *the [beneficiary] [linked third party] did not agree with the standard statement number ... because...*
2. *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)*
3. *the auditor could not confirm or corroborate the standard finding number ... because*

Other remarks

The auditor has the following general remarks:

Examples:

1. *Regarding the methodology applied to calculate hourly rates ...*
2. *Regarding standard finding 15 it has to be noted that ...*
3. *The [beneficiary] [linked third party] explained the deviation from the standard statement XXIV concerning time recording for personnel with no exclusive dedication to the action in the following manner:*

Annexes

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. Example of the time records used by the [beneficiary]/[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. Summary sheet with the hourly rate for direct personnel declared by the [beneficiary]/[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. Comparative table summarising for each person selected in the sample a) the time claimed by the [beneficiary]/[linked third party] in the financial statement(s) and b) the time according to the time record verified by the auditor
7. Copy of the letter of representation provided to the auditor

Statements of the beneficiary/linked third party	Procedures and findings by the auditor
<p>A. Use of the methodology</p> <p>I. The methodology described below has been in use since [dd Month yyyy].</p> <p>II. The next planned alteration to the methodology used by the beneficiary/linked third party will be from [dd Month yyyy].</p>	<p>Procedure:</p> <ul style="list-style-type: none"> ✓ The auditor checked these dates against the documentation the beneficiary/linked third party has provided. <p>Findings:</p> <ol style="list-style-type: none"> 1. The dates provided by the beneficiary/linked third party were consistent with the documentation.
<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>(If you cannot fully endorse this statement please say so and explain why)</i></p> <p><i>(Please describe the methodology your entity uses to calculate <u>personnel costs</u>, productive hours and hourly rates, present your description to the auditor and annex it to this certificate)</i></p>	<p>Procedure:</p> <ul style="list-style-type: none"> ✓ The auditor reviewed the description, the relevant manuals and/or internal guidance documents describing the methodology. <p>Findings:</p> <ol style="list-style-type: none"> 2. The brief description was consistent with the relevant manuals, internal guidance and/or other documentary evidence the auditor has reviewed. 3. The methodology was generally applied by the beneficiary/linked third party as part of its usual costs accounting practices. <p><i>(If the beneficiary/linked third party listed statements that they could not endorse (or if you cannot endorse their statements), report them as exception in the summary)</i></p>
<p>C. Personnel costs</p> <p><u>General</u></p> <p>IV. The unit costs (hourly rates) are limited to salaries including during parental leave, social security contributions, taxes and other costs included</p>	<p>Procedure:</p> <ul style="list-style-type: none"> ✓ The Auditor has drawn a random sample of 10 full-time equivalents made up of employees assigned to the action(s). <i>(If fewer than 10 full-time equivalents are assigned to the action(s), the you can select a sample of 10 full-time</i>

Statements of the beneficiary/linked third party	Procedures and findings by the auditor
<p>in the remuneration required under national law and the employment contract or equivalent appointing act.</p> <p>V. Employees are hired directly by the beneficiary/linked third party in accordance with national law, and work under its sole supervision and responsibility.</p> <p>VI. The beneficiary/linked third party remunerates its employees in accordance with its usual practices. This means that personnel costs are charged in line with the beneficiary’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 EU or Euratom grant, unless explicitly provided for in the grant agreement(s).</p> <p>VII. The beneficiary/linked third party 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.</p> <p><i>(Please describe the ‘budgeted or estimated elements’ and their relevance for 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 beneficiary/linked third party’s bank for transfers from the Agency; excessive or reckless expenditure; deductible VAT, VAT incurred by a public body acting as a</p>	<p><i>equivalents consisting of all employees assigned to the action(s), complemented by other employees irrespective of their assignments.)</i></p> <p>For this sample:</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"> - they were employed directly by the beneficiary/linked third party in accordance with applicable national legislation - they were working under the sole technical supervision and responsibility of the latter - they were remunerated in accordance with the beneficiary/linked third party’s usual practices - they were allocated to the correct group/category/cost centre for the purposes of calculating the unit cost in line with the beneficiary/linked third party’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 EU grants have not been taken into account when calculating the personnel costs; ✓ 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

Statements of the beneficiary/linked third party	Procedures and findings by the auditor
<p>public authority or costs incurred during suspension of the implementation of the action.</p> <p>XI. Personnel costs were not declared under another Agency, EU or Euratom grant (including other grants awarded by the Agency, grants awarded by a Member State and financed by the EU or Euratom budget and grants awarded by bodies other than the Agency for the purpose of implementing the EU or Euratom budget).</p> <p><u>If additional remuneration as referred to in the grant agreement(s) is paid</u></p> <p>XII. The additional remuneration is part of the beneficiary/linked third party’s usual remuneration practices and paid consistently whenever the relevant work or expertise is required.</p> <p>XIII. The criteria used to calculate the additional remuneration are objective and generally applied regardless of the source of funding.</p> <p><i>(If you cannot fully endorse some of these statements please list them here and explain why)</i></p>	<p>checked the information source to confirm that they correspond to objective and verifiable information;</p> <p>✓ the auditor recalculated the personnel costs for the employees in the sample.</p> <p>Findings:</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 beneficiary/linked third party in accordance with applicable national law and were working under its sole supervision and responsibility. 6. Their employment contracts were in line with the beneficiary/linked third party’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 included in the remuneration (holiday pay, thirteenth month’s pay, etc.). 8. The totals used to calculate the personnel unit costs are consistent with those registered in the payroll and accounting records. 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: <i>(indicate the elements and their values).</i> 10. Personnel costs contained no ineligible elements. 11. Specific conditions for eligibility were fulfilled when additional remuneration was paid: a it was paid according to objective criteria generally applied regardless of the source of funding.

Statements of the beneficiary/linked third party	Procedures and findings by the auditor
	<i>(If the beneficiary/linked third party listed statements that they could not endorse (or if you cannot endorse their statements), report them as exception in the summary)</i>
<p>D. Productive hours</p> <p>XIV. 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 beneficiary/linked third party</p> <p>C. the standard number of annual hours generally applied by the beneficiary/linked third party for 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>XV. 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>XVI. ‘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>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 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. ✓ 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>Findings:</p> <p><u>General</u></p> <ol style="list-style-type: none"> 12. The beneficiary applied a number of productive hours consistent with method A, B or C detailed in the left-hand column. 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.

Statements of the beneficiary/linked third party	Procedures and findings by the auditor
<p>XVII. 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>XVIII. 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>XIX. The number of productive hours per year on which the hourly rate is based i) corresponds to the beneficiary/linked third party’s usual accounting practices; ii) is at least 90 % of the standard number of workable (working) hours per year.</p> <p>XX. Standard workable (working) hours are hours during which personnel are at the beneficiary/linked third party’s disposal performing the duties described in the relevant employment contract, collective labour agreement or national labour legislation. The number of standard annual workable (working) hours that the beneficiary/linked third party claims is supported by labour contracts, national legislation and other documentary evidence.</p> <p><i>(If you cannot fully endorse some of these statements please list them here and explain why)</i></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 beneficiary 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 the beneficiary/linked third party.</p> <p>17. The calculation of the standard number of workable (working) hours per year was corroborated by the documents presented by the beneficiary/linked third party.</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><i>(If the beneficiary/linked third party listed statements that they could not endorse (or if you cannot endorse their statements), report them as exception in the summary)</i></p>
<p>E. Hourly rates</p> <p>XXI. 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</p>	<p>Procedure</p> <ul style="list-style-type: none"> ✓ The auditor has obtained a list of all personnel rates calculated by the beneficiary/linked third party 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.

Statements of the beneficiary/linked third party	Procedures and findings by the auditor
<p>applied) and they are in line with the statements made in section C. and D. above.</p> <p><i>(If you cannot fully endorse this statement please say so and explain why)</i></p>	<ul style="list-style-type: none"> ✓ The auditor made a sample of 10 full-time equivalent employees selected at random (same sample basis as Section C: Personnel costs). <p>For this sample:</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>Findings:</p> <p>19. No differences arose from the recalculation of the hourly rate for the employees included in the sample.</p> <p><i>(If the beneficiary/linked third party listed statements that they could not endorse (or if you cannot endorse their statements), report them as exception in the summary)</i></p>
<p>F. Time recording</p> <p>XXII. Time recording is in place for all persons with no exclusive dedication to PADR actions. At least all hours 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>XXIII. For persons exclusively assigned to PADR actions, the beneficiary/linked third party has either signed a declaration to that effect or has put arrangements in place to record their working time.</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 methodology used to record time. ✓ The auditor reviewed the time records of the random sample of 10 full-time equivalents (same sample basis as Section C: Personnel costs) <p>For this sample:</p> <ul style="list-style-type: none"> ✓ the auditor verified that time records were available for all persons with not exclusive assignment to the action; ✓ the auditor verified that time records were available for persons working exclusively for a PADR actions, or, alternatively, that a declaration signed by

Statements of the beneficiary/linked third party	Procedures and findings by the auditor
<p>XXIV. 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>XXV. Measures are in place to prevent staff from:</p> <ul style="list-style-type: none"> - recording the same hours twice - recording working hours during absence periods (e.g. holidays, sick leave) - recording more than the number of productive hours per year used to calculate the hourly rates and - counting hours worked outside the action period. <p>XXVI. No working time was recorded outside the action duration.</p> <p>XXVII. No more hours were claimed than the productive hours used to calculate the hourly personnel rates.</p> <p><i>(If you cannot fully endorse some of these statements please list them here and explain why)</i></p> <p><i>(Please provide a brief description of the time recording system in place together with the measures applied to ensure its reliability. Present it to the auditor and annex it to this certificate.</i></p> <p><i>The description should cover: information on the content of the time records, its coverage (full or action time-recording, for all personnel or only for personnel involved in PADR 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 ensure consistency with HR-records such as absences and</i></p>	<p>the beneficiary/linked third party was available for them certifying that they were working exclusively for the PADR actions;</p> <ul style="list-style-type: none"> ✓ the auditor verified that time records were signed and approved in due time and that all minimum requirements were fulfilled; ✓ the auditor verified that the persons worked for the action in the periods claimed; ✓ the auditor verified that no more hours were claimed than the productive hours used to calculate the hourly personnel rates; ✓ the auditor verified 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 than the number of productive hours per year used to calculate the hourly rates; that working time is counted outside the action duration; ✓ the auditor cross-checked the information with human-resources records to verify consistency and to ensure that the internal controls have been effective. In addition, the auditor has verified that no more hours were charged 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>Findings:</p> <ol style="list-style-type: none"> 20. The brief description, manuals and/or internal guidance on time recording provided by the beneficiary/linked third party were consistent with management reports/records and other documents reviewed and were generally applied by the beneficiary/linked third party 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;

Statements of the beneficiary/linked third party	Procedures and findings by the auditor
<p><i>travels as well as it information flow up to its use for the preparation of the financial statements.)</i></p>	<ul style="list-style-type: none"> 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 beneficiary/linked third party 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 duration. 26. Working time claimed is consistent with that on record at the human-resources department.

*[official name of the [beneficiary]/[linked third party]]
 [name and title of authorised representative]
 [dd Month yyyy]
 <Signature >*

*[official name of the auditor]
 [name and title of authorised representative]
 [dd Month yyyy]
 <Signature >*