

**REGULATION (EU) No .../2013 OF THE EUROPEAN PARLIAMENT AND OF THE
COUNCIL**

of

**amending Regulation (EC) No 294/2008 establishing the European Institute of Innovation and
Technology**

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article
173(3) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee¹,

After consulting the Committee of the Regions,

Acting in accordance with the ordinary legislative procedure²,

¹ OJ C 181, 21.6.2012, p. 122.

² *Position of the European Parliament of ... (not yet published in the OJ) and decision of
the Council of ...*

Whereas:

- (1) The Europe 2020 strategy for smart, sustainable and inclusive growth assigns a prominent role to the European Institute of Innovation and Technology ("the EIT") which contributes to a number of flagship initiatives.
- (2) During the period 2014-2020 the EIT should contribute to "Horizon2020 - The Framework Programme for Research and Innovation" established by Regulation (EU) No .../2013³⁺ of the European Parliament and of the Council ("Horizon 2020") objectives by integrating the knowledge triangle of research, innovation and education.
- (3) In order to ensure a coherent framework for participants in Horizon 2020, the Regulation (EU) No .../2013 of the European Parliament and of the Council⁴⁺⁺ ('Rules for Participation') should apply to the EIT.
- (4) The rules concerning the management of intellectual property rights are defined in the Rules for Participation.
- (5) The rules concerning *association of* third countries are defined in Horizon 2020 .
- (5a) ***The EIT should foster entrepreneurship in its higher education, research and innovation activities. In particular, it should promote excellent entrepreneurial education and support the creation of start-ups and spin-offs.***

³ Regulation (EU) No .../2013 of ...of the European Parliament and of the Council establishing Horizon 2020 - The Framework Programme for Research and Innovation (2014-2020), OJ L... [OJ: Please add the number, the date and the OJ reference of the Regulation contained in document 2011/0401(COD)].

⁺ OJ: Please add the number of the Regulation contained in document 2011/0401(COD).

⁴ Regulation (EU) No .../2013 of the European Parliament and of the Council laying down the rules for the participation and dissemination in "Horizon 2020" – the Framework Programme for Research and Innovation (2014-2020) (OJ L ...) [OJ: Please add the number, the date and the OJ reference of the Regulation contained in document 2011/0399(COD)].

⁺⁺ Please add the number of the Regulation contained in document 2011/0399(COD).

- (6) The EIT should directly engage with national and regional representatives and other stakeholders from across the innovation chain, generating beneficial effects on both sides. In order to render such dialogue and exchange more systematic, an EIT Stakeholder Forum should be *established*, bringing together the wider community of stakeholders around cross-cutting issues. *The EIT should also carry out information and communication activities targeting relevant stakeholders.*
- (6a) *The EIT should promote an appropriately balanced participation between the different actors from the knowledge triangle involved in the Knowledge and Innovation Communities ("KICs"). Furthermore, it should promote strong participation from the private sector, in particular SMEs.*
- (7) The scope of the EIT contribution to the KICs should be defined and the origins of KICs' financial resources clarified.
- (8) The composition of the EIT bodies should be simplified. The functioning of the EIT Governing Board should be streamlined and the respective roles and tasks of the Governing Board and the Director should be further clarified.
- (9) New KICs, including their priority fields and the organisation and timing of the selection process, should be launched on the basis of modalities defined in the Strategic Innovation Agenda *following an open, transparent and competitive process.*
- (10) The KICs should broaden their educational activities *to enhance the skills base across the Union*, by providing professional *and other appropriate* training courses.
- (11) Cooperation on the organisation *of* monitoring and evaluations of the KICs between the Commission and the EIT is required to ensure coherence with overall *Union* level monitoring and evaluation system. *In particular, there should be clear principles for monitoring the KICs and the EIT.*

- (12) The KICs should seek synergies with relevant Union, *national and regional* initiatives.
- (13) In order to assure broader participation of organizations from different Members States in the KICs, the partner organizations should be established in at least three different Member States.
- (13a) *The EIT and the KICs should develop outreach activities and disseminate good practices, including through the Regional Innovation Scheme.*
- (14) The criteria and procedures for the financing, monitoring and evaluation of the activities of the KICs should be adopted by the EIT prior to launching the KIC selection process.
- (15) The EIT Triennial Work Programme should take into account the Commission's opinion concerning the EIT's specific objectives, as defined in Horizon 2020, and its complementarities with Union policies and instruments.
- (16) The EIT, being under Horizon 2020, will be part of the mainstreaming of climate change expenditures as defined in Horizon 2020.
- (17) The evaluation of the EIT should provide timely input to the evaluation of Horizon 2020 in 2017 and 2023.
- (18) The Commission should strengthen its role in monitoring the implementation of specific aspects of EIT activities.

- (19) This Regulation lays down, for the period 2014 to 2020, a financial envelope constituting the prime reference, within the meaning of point [17] of the Inter-institutional Agreement of XX/YY/201Z between the European Parliament, the Council and the Commission on cooperation in budgetary matters and on sound financial management⁵, for the budgetary authority during the annual budgetary procedure. The financial contribution for the EIT should be provided from Horizon 2020.
- (20) Although initially foreseen, the EIT Foundation will not receive a direct contribution from the Union budget, the Union discharge procedure should not apply to it.
- (21) For reasons of clarity the Annex to Regulation (EC) No 294/2008 of the European Parliament and of the Council⁶ should be replaced by a new Annex.
- (22) Regulation (EC) No 294/2008 should therefore be amended accordingly.

HAVE ADOPTED THIS REGULATION:

⁵ OJ: Please add the OJ reference of the Inter-Institutional Agreement contained in document 2011/2152(ACI).

⁶ Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008 establishing the European Institute of Innovation and Technology (OJ L 97, 9.4.2008, p. 1).

Article 1

Regulation (EC) No 294/2008 is amended as follows:

(1) Article 2 is amended as follows:

(-a) points 1 and 2 are replaced by the following:

“1. "innovation" means the process, including its outcome, by which new ideas respond to societal or economic needs and demand and generate new products, services or business and organisational models that are successfully introduced into an existing market or that are able to create new markets and that contribute value to society.

2. "Knowledge and Innovation Community" (KIC) means an autonomous partnership of higher education institutions, research organisations, companies and other stakeholders in the innovation process in the form of a strategic network, regardless of its precise legal form based on joint mid- to long-term innovation planning to meet the EIT challenges and contribute to attaining the objectives established under Horizon 2020;”

(a) point 3 is replaced by the following:

“3. "co-location centre" means a geographical area where the main knowledge triangle partners are based and can easily interact, providing the focal point for the KICs activity in that area;”

(aa) point 4 is deleted.

(ab) *point 5 is replaced by the following:*

“5. "partner organisation" means any organisation which is a member of a KIC and may include, in particular, higher education institutions, research organisations, public or private companies, financial institutions, regional and local authorities, foundations and non-profit organisations;”

(ba) *point 9 is replaced by the following:*

“9. "Strategic Innovation Agenda"(SIA) means a policy document outlining the priority fields and the long-term strategy of the EIT for future initiatives, including an overview of planned higher education, research and innovation activities, over a period of seven years.”

(bb) *the following point is added:*

“9a. "Regional Innovation Scheme" (RIS) means an outreach scheme targeted at partnerships between higher education institutions, research organisations, companies, and other stakeholders in order to foster innovation across the Union.”

(c) *the following points are added:*

*“10. "Stakeholder Forum" means a **platform** open to representatives of national, regional **and local** authorities, organized interests and individual entities from business, higher education, research, **associations, civil society and** cluster organisations, as well as other interested parties from across the knowledge triangle.*

11. "KIC added value activities" means activities carried out by partner organisations *or KIC legal entities, if applicable*, contributing to the integration of the knowledge triangle of research, innovation and higher education, including establishment, administrative and coordination activities of the KICs, *and contributing to the overall objectives of EIT.*"

(2) Article 3 is replaced by the following:

“Article 3

Mission and Objectives

The EIT’s mission is to contribute to sustainable European economic growth and competitiveness by reinforcing the innovation capacity of the Member States and the Union *in order to address grand challenges facing European society*. It shall do this by promoting *synergies and cooperation among*, and integrating higher education, research and innovation of the highest standards *including by fostering entrepreneurship*.

The EIT' General Objectives, Specific Objectives and result indicators for the period 2014-2020 are defined in Horizon 2020.”

(3) Article 4(1) *is amended as follows*:

(a) *point (a) is replaced by the following*:

“(a) *a Governing Board composed of high-level members experienced in higher education, research, innovation and business. It shall be responsible for steering the activities of the EIT, for the selection, designation and evaluation of the KICs, and for all other strategic decisions. It shall be assisted by an Executive Committee;*”

(b) point (b) is deleted.

(c) *point (c) is replaced by the following:*

“(c) a Director, appointed by the Governing Board, who shall be responsible to the Governing Board for the administrative and financial management of the EIT and shall be the legal representative of the EIT;”

(4) Article 5(1) is amended as follows:

(a) *point (a) is replaced by the following:*

“(a) identify, in accordance with the SIA, its main priorities and activities;”

(aa) *point (c) is replaced by the following:*

“(c) select and designate KICs in the priority fields in accordance with Article 7 and define their rights and obligations by agreement; provide them with appropriate support; apply appropriate quality control measures; continuously monitor and periodically evaluate their activities; ensure an appropriate level of coordination; and facilitate communication and thematic cooperation between the KICs;”

(ab) *point (f) is replaced by the following:*

“(f) promote the dissemination of good practices for the integration of the knowledge triangle, including among KICs, in order to develop a common innovation and knowledge transfer culture, and encourage participation in outreach activities, including in the RIS;”

(b) *point (h) is replaced by the following:*

“(h) promote multidisciplinary approaches to innovation, including the integration of technological, social and non-technological solutions, organizational approaches and new business models;

(i) ensure complementarity and synergy between EIT activities and other Union programmes, where appropriate;

(j) promote the KICs as excellent innovation partners inside and outside the Union;

(k) establish a Stakeholder Forum to inform about the activities of the EIT, its experiences, good practices and contribution to Union innovation, research and education policies and objectives and to allow stakeholders to express their views. A meeting of the Stakeholder Forum shall be convened at least once a year. Member States' representatives shall meet in a special configuration, within the meeting of the Stakeholder Forum, to guarantee an appropriate communication and flow of information with the EIT, and be informed of the achievements, give advice to, and share experiences with the EIT and the KICs. The special configuration of Member States' representatives within the Stakeholder Forum shall also ensure appropriate synergies and complementarities between EIT and KIC activities with national programmes and initiatives, including the potential national co-financing of KIC activities.”

(5) Article 6(1) *is amended as follows:*

(a) *point (b) is replaced by the following:*

“(b) cutting-edge and innovation-driven research in areas of key economic and societal interest and drawing on the results of European and national research, with the potential to strengthen Europe’s competitiveness at international level and obtain solutions for the grand challenges facing European society;”

(b) *point (c) is replaced by the following:*

“(c) education and training activities at masters and doctoral level, as well as professional training courses, in disciplines with the potential to meet future European socio-economic needs and which **expand the Union’s talent base**, promote the development of innovation-related skills, the improvement of managerial and entrepreneurial skills and the mobility of researchers and students, **and foster knowledge sharing, mentoring and networking of the recipients of EIT-labelled degrees and trainings;”**

(c) *point (d) is replaced by the following:*

“(d) outreach activities and the dissemination of best practices in the innovation sector with a focus on the development of cooperation between higher education, research and business, including the service and financial sectors.”

(d) *The following point (e) is inserted:*

“(e) to seek synergies and complementarities between KIC activities and existing European, national and regional programmes, where appropriate.”

(e) *paragraph 2 is replaced by the following:*

“2. KICs shall have substantial overall autonomy to define their internal organisation and composition, as well as their precise agenda and working methods. In particular, KICs shall:

- (a) establish governance arrangements which reflect the knowledge triangle;***
- (b) aim to be open to new members whenever these members add value to the partnership;***
- (c) function in an open and transparent way, in accordance with their internal rules;***
- (d) establish business plans with objectives and key performance indicators;***
- (e) develop strategies for financial sustainability.”***

(6) Article 7 is amended as follows:

(-a) paragraph 1 is replaced by the following:

“1. A partnership shall be selected and designated by the EIT to become a KIC following a competitive, open and transparent procedure. Detailed criteria for the selection of the KICs, based on the principles of excellence and innovation relevance, shall be adopted and published by the EIT; external and independent experts shall be involved in the selection process.”

(a) *the following* paragraph is inserted:

“1a. The EIT shall launch the selection and designation of KICs according to the priority fields and time schedule defined in the SIA.”

(b) paragraph 2 *is replaced by the following*:

“2. *In accordance with the principles enshrined in paragraph 1, the selection criteria for the designation of a KIC shall, inter alia, include:*

- (a) *the current and potential innovation capacity, including entrepreneurship, within the partnership as well as its excellence in higher education, research and innovation;*
- (b) *the partnership’s capacity to achieve the goals of the SIA and thereby contributing to the general objective and priorities of Horizon 2020;*
- (ba) *the multidisciplinary approach to innovation, including the integration of technological, social and non-technological solutions;*
- (c) *the partnership’s capacity to ensure sustainable and long-term self-supporting financing including a substantial and increasing contribution from the private sector, industry and services;*
- (d) *the appropriately balanced participation in the partnership of organisations active in the knowledge triangle of higher education, research and innovation;*
- (e) *the demonstration of a plan for the management of intellectual property appropriate to the sector concerned, including the way in which contributions from the various partner organisations have been taken into account;*

- (f) *measures to support the involvement of and cooperation with the private sector, including the financial sector and in particular SMEs, as well as the creation of start-ups, spin-offs and SMEs, in view of the commercial exploitation of the results of the activities of KICs;*
- (fa) *readiness to establish concrete measures to interact and cooperate with the public and third sectors, as appropriate;*
- (g) *readiness to interact with other organisations and networks outside the KIC with the aim of sharing good practices and excellence;*
- (h) readiness to establish *concrete proposals for* synergies with European Union *and other relevant* initiatives.”

(c) paragraph 3 is replaced by the following:

“3. The minimum condition to form a KIC is the participation of at least three partner organisations, established in at least three different Member States. All these partner organisations must be independent of each other, within the meaning of Article 7 of Rules for Participation.”

(d) paragraph 4 is replaced by the following:

“4. *At least two thirds* of the partner organisations forming a KIC shall be established in the Member States. At least one higher education institution and one private company shall be part of each KIC.”

(e) the following paragraph is added:

“5. The EIT shall adopt **and publish** criteria and procedures for the financing, monitoring and evaluating of the activities of the KICs prior to the launching of the selection procedure for new KICs. ***The special configuration of Member States' representatives within the Stakeholder Forum shall be promptly informed about them.***”

(7) The following **Articles are** inserted:

“Article 7a

Principles for the evaluation and monitoring of KICs

The EIT, shall on the basis of key performance indicators ***set out, inter alia, in the Regulation (EU) No XX/XX⁺ of the European Parliament and of the Council of ...⁺⁺ establishing Horizon 2020 - The Framework Programme for Research and Innovation (2014-2020)¹ and in the SIA***, and in cooperation with the Commission, organise continuous monitoring and periodic external evaluations of the outputs, results and impact of each KIC. ***The results of these monitoring and evaluation measures shall be reported to the Council and to the European Parliament and made public.***

¹ ***OJ L ...⁺⁺⁺.***”

⁺ OJ: Please add the number of the Regulation contained in document 2011/0401(COD).

⁺⁺ OJ: Please add the date of the Regulation contained in document 2011/0401(COD).

⁺⁺⁺ OJ: Please add the OJ reference of the Regulation contained in document 2011/0401(COD).

Article 7b

Duration, continuation and termination of a KIC

1. Subject to the outcomes of *continuous monitoring and* periodic evaluations and to the specificities of particular fields, a KIC shall normally have a time-frame of seven to fifteen years.
 - 1a. *The EIT may establish a framework partnership agreement with a KIC for an initial period of seven years.*
2. The Governing Board may decide to extend the *framework partnership agreement with* a KIC beyond the period initially set, *within the limits of the financial envelope referred to in Article 19*, if this is the most appropriate way to achieve the objectives of the EIT.
3. In the event that evaluations of a KIC show inadequate results, the Governing Board shall take appropriate measures including reduction, modification or withdrawal of its financial support or termination of the agreement.”

(8a) *In Article 8(2), the following point (aa) is inserted:*

“(aa) disseminate best practices on cross-cutting issues;”

(9) Article 10 is deleted.

(9a) *Article 13 (2) is replaced by the following:*

“2. The EIT shall make public its rules of procedure, its specific financial rules referred to in Article 21(1) and the detailed criteria for the selection of the KICs referred to in Article 7 before the calls for proposals for the selection of the KICs.”

(10) Article 14(2) is replaced by the following:

“2. The KICs shall be financed, in particular, from the following sources:

- (a) contributions from partner organizations, forming a substantial source of funding;
- (b) voluntary contributions from Member States, third countries or public authorities within them;
- (c) contributions from international bodies or institutions;
- (d) revenue generated by the KICs’ own *assets and* activities and royalties from intellectual property rights;
- (e) capital endowments, including those managed by the EIT Foundation;
- (f) bequests, donations and contributions from individuals, institutions, foundations or any other national bodies;
- (g) contribution from the EIT;
- (h) financial instruments, including those funded from the general budget of the European Union.

Contributions may include contributions in kind.”

(11) Article 14 is *amended as follows*:

(a) *paragraph 4* is replaced by the following:

“4. The EIT contribution *to the KICs* may cover, up to 100% of *the* total eligible costs of KIC added value activities.”

(b) *the following paragraphs are added*:

“6. *The EIT contribution on average shall not exceed 25% of a KIC's overall funding.*

7. *The EIT shall establish a competitive review mechanism for allocating an appropriate share of its financial contribution to the KICs. It shall include assessing KICs' business plans and performance as measured by continuous monitoring.*”

(12) Article 15 is replaced by the following:

“Article 15

Programming and reporting

The EIT shall adopt:

(a) a rolling triennial work programme, based on the SIA, once it is adopted, containing a statement of the major priorities and planned initiatives of the EIT and the KICs, including an estimate of financing needs and sources. It shall also contain appropriate indicators for monitoring the KICs and EIT activities *using a results-oriented approach*. The preliminary rolling triennial work programme shall be submitted by the EIT to the Commission by 31 December each N-2.

The Commission shall deliver an opinion within three months with regard to EIT specific objectives as defined in Horizon 2020 and its complementarities with Union policies and instruments. The EIT shall take a due account of the Commission opinion, and in case of disagreement justify its position. The final work programme shall be transmitted by the EIT to the European Parliament, the Council, the Commission, the European Economic and Social Committee and the Committee of the Regions for information. ***Upon request, the Director shall present to the responsible Committee in the European Parliament the final work programme;***

- (b) an annual report by 30 June each year. The report shall outline the activities conducted by the EIT and the KICs during the preceding calendar year and assess the results with respect to the objectives, indicators and timetable set, the risks associated with the activities carried out, the use of resources and the general operation of the EIT. ***The EIT shall transmit the annual report to the European Parliament and the Council and inform them at least once a year about the activities of the EIT, its contribution to Horizon 2020 and to the Union innovation, research and education policies and objectives.***”

(13) Article 16 is amended as follows:

- (a) in paragraph 2, the word "five" is replaced by the word "three";
- (b) the following paragraph is inserted:

“2a. The Commission may carry out further evaluations on themes or topics of strategic relevance, with the assistance of independent experts, to examine the progress made by the EIT towards the objectives set, identify the factors contributing to the implementation of the activities and identify good practices. ***In pursuing such interventions, the Commission shall fully consider the administrative impact on the EIT and the KICs.***”

(14) Article 17 *is amended as follows:*

(a) *paragraph 2 is replaced by the following:*

“2. The SIA shall define the priority fields and the long-term strategy for the EIT and shall include an assessment of its socioeconomic impact and its capacity to generate the best innovation added-value. The SIA shall take into account the results of the monitoring and evaluation of the EIT as referred to in Article 16.”

(b) the following paragraph is inserted:

“2a. The SIA shall include an analysis of potential *and appropriate* synergies and complementarities between EIT activities and other Union initiatives, instruments and programmes.”

(c) *paragraph 4 is replaced by the following:*

“4. Acting on a proposal from the Commission, the SIA shall be adopted by the European Parliament and the Council in accordance with Article 173(3) of the Treaty on the Functioning of the European Union (TFEU).”

(15) Article 19 is replaced by the following:

“Article 19

Budgetary commitments

I. The financial envelope from Horizon 2020 for the implementation of this Regulation during the period from 1 January 2014 to 31 December 2020 is set at [EUR 3 182,230 million].

2. *That amount shall constitute the prime reference for the budgetary authority during the budgetary procedure, within the meaning of point [16] of the Interinstitutional Agreement of xxx/201z between the European Parliament, the Council and the Commission on cooperation in budgetary matters and sound financial management.*
3. The annual appropriations shall be authorised by the budgetary authority within the limits of the financial framework. The EIT financial contribution to the KICs shall be provided under this financial envelope.”

(16) In Article 20, paragraph 5 is replaced by the following:

- “5. The Governing Board shall adopt the draft estimate, accompanied by a draft establishment plan and the preliminary rolling triennial work programme and forward them by 31 December N-2 to the Commission.”

(17) In Article 20, paragraph 6 is replaced by the following:

- “6. On the basis of the estimate, the Commission shall enter in the draft general budget of the European Union the estimates it deems necessary for the amount of the subsidy to be charged to the general budget.”

(18) Article 21 is amended as follows

- (a) the following paragraph is inserted:

- “1a. The financial contribution to the EIT, shall be implemented in accordance with the Regulation of the European Parliament and of the Council establishing Horizon 2020 and with the Regulation of the European Parliament and of the Council laying down the rules for the participation and dissemination in Horizon 2020.”

(b) paragraph 4 is replaced by the following:

“4. Upon a recommendation from the Council, the European Parliament shall, before 30 April of the year $n + 2$, give a discharge for the year n to the Director in respect of the implementation of the EIT budget.”

(19) Article 22(4) is deleted

(20) The following Article is inserted:

“Article 22a

Winding up of the EIT

In the event of winding up of the EIT, its liquidation shall intervene under the supervision of the Commission in conformity with the laws applicable. The agreements with the KICs and the act establishing the EIT Foundation shall lay down the appropriate provisions in such situation.”

Article 2

The Annex to Regulation (EC) No 294/2008 shall be replaced by the Annex to this Regulation.

Article 3

This Regulation shall enter into force on 1 January 2014.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at ...,

For the European Parliament

For the Council

The President

The President

ANNEX

Statutes of the European Institute of Innovation and Technology

Section 1

Composition of the Governing Board

1. The Governing Board shall consist both of appointed and representative members.
2. There shall be 12 appointed members, appointed by the Commission, providing a balance between those with experience in business, higher education and research. They shall have a four-year non-renewable term of office.

Whenever necessary, the Governing Board shall submit to the Commission a proposal for appointment of a new member(s). The candidate(s) shall be chosen based on the outcome of a transparent and open procedure, involving consultation with stakeholders.

The Commission shall have regard to the balance between higher education, research, innovation and business experience as well as to gender *and geographical* balance and an appreciation of the higher education, research and innovation environments across the Union.

The Commission shall appoint the member(s) and inform the European Parliament and the Council about the selection process and the final appointment of those members of the Governing Board.

In the event that an appointed member is unable to complete his/her term of office, a substitute member shall be appointed by the same procedure as the incapacitated member in order to complete the latter's term of office. A substitute member, who has served for a period of less than two years, may be re-appointed by the Commission for a period of additional four years upon request of the Governing Board.

During a transitional period, the Board members initially appointed for a six year period shall complete their mandate. Until that time there shall be 18 appointed members. Within six months after entry into force of this regulation, one third of twelve members appointed in 2012 shall be chosen by the Governing Board with the Commission approval to serve for a two year period, one third for a four year period and one third for a six year period.

In exceptional and duly justified circumstances, in order to maintain the integrity of the Governing Board, the Commission may terminate on its own initiative the term of a member of the Board.

3. There shall be three representative members elected by the KICs from among their partner organizations. They shall have a two-year term of office, renewable once. Their term of office shall cease if they leave the KIC.

The conditions and modalities for election and replacement of the representative members shall be adopted by the Governing Board on the basis of a proposal from the Director. This mechanism shall ensure an appropriate representation of the diversity and shall take into account the evolution of the KICs.

During a transitional period, the representative members initially elected for a three year period shall complete their mandate. Until that time there shall be four representative members.

4. The Governing Board members shall act in the interests of the EIT, safeguarding its goals and mission, identity, ***autonomy*** and coherence, in an independent ***and transparent*** way.

Section 2

Responsibilities of the Governing Board

1. The Governing Board shall take necessary strategic decisions, in particular:
 - (a) adopt the EIT draft Strategic Innovation Agenda (SIA), the triennial rolling work programme, its budget, its annual accounts and balance sheet and its annual activity report, on the basis of a proposal from the Director;
 - (b) adopt criteria and procedures for the financing, monitoring and evaluating of the activities of the KICs, on the basis of a proposal from the Director;
 - (c) adopt the selection procedure of the KICs;
 - (d) select and designate a partnership as a KIC or withdraw the designation if necessary;
 - (e) ensure continuing evaluation of the activities of KICs;
 - (f) adopt its rules of procedure, those for the Executive Committee, as well as the specific financial rules of the EIT;
 - (g) define, with the Commission's agreement, appropriate honoraria for members of the Governing Board and of the Executive Committee; these honoraria shall be benchmarked against similar provision in the Member States;
 - (h) adopt a procedure for selecting the Executive Committee and the Director;
 - (i) appoint and if necessary dismiss the Director, and exercise disciplinary authority over him/her;
 - (j) appoint the Accounting Officer and the members of the Executive Committee;
 - (k) adopt a code of good conduct regarding conflicts of interest;

- (l) establish where appropriate advisory groups which may have a defined duration;
- (m) set up an Internal Auditing Function in accordance with Commission Regulation (EC, Euratom) No 2343/2002 of 23 December 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities⁷;
- (n) be empowered to establish a Foundation (hereinafter referred to as the EIT Foundation) with the specific objective of promoting and supporting the activities of the EIT;
- (o) decide on EIT's language regime, taking into account the existing principles on multilingualism and the practical requirements of its operations;
- (p) promote the EIT globally, so as to raise its attractiveness and make it a world-class body for excellence in higher education, research and innovation.

⁷ OJ L 357, 31.12.2002, p. 72.

Section 3

Functioning of the Governing Board

1. The Governing Board shall elect its Chairperson from among the appointed members. The term of office of the Chairperson shall be two years, renewable once.
2. Without prejudice to paragraph 3, the Governing Board shall adopt decisions by simple majority of members having a right to vote.

However, decisions under Section 2(2)(a), (b), (c), (i) and (o), and Section 3(1) shall require a majority of two thirds of all its members.

3. The representative members may not vote on decisions under Section 2(2)(b), (c), (d), (e), (f), (g), (i), (j), (k), (o) and (p)
4. The Governing Board shall meet in ordinary session at least three times a year and in extraordinary session when convened by its Chairperson or on request of at least one third of its members.
5. The Governing Board shall be assisted by the Executive Committee. The Executive Committee shall consist of three persons *and* the Chairperson of the Governing Board who will also chair the Executive Committee. The *three* members other than the Chairperson shall be chosen by the Governing Board from among the Governing Board's appointed members. The Governing Board may delegate specific tasks to the Executive Committee.

Section 4

The Director

1. The Director shall be a person with expertise and high reputation in the areas where the EIT operates. The Director shall be appointed by the Governing Board for a term of office of four years. The Governing Board may extend that term of office once by four years when it considers that the interests of the EIT are best served by so doing.
2. The Director shall be responsible for operations and for the day-to-day management of the EIT and be its legal representative. The Director shall be accountable to the Governing Board and report to it on an ongoing basis on the development of the EIT activities.
3. The Director shall in particular:
 - (a) organize and manage the activities of the EIT;
 - (b) support the Governing Board and the Executive Committee in their work, provide the secretariat for their meetings and with all information necessary for the performance of their functions;
 - (c) prepare a draft SIA, a preliminary rolling triennial work programme, the draft annual report and the draft annual budget for submission to the Governing Board;
 - (d) prepare and administer the selection process for KICs and ensure that the various stages of that process are carried out in a transparent and objective manner;
 - (e) organise and manage the activities of the EIT;
 - (f) prepare, negotiate and conclude contractual agreements with the KICs;
 - (g) organize the Stakeholder Forum, *including the special configuration of Member States' representatives*;

- (h) ensure the implementation of effective monitoring and evaluation procedures relating to the performance of the EIT in accordance with Article 16 of the Regulation;
- (i) be responsible for administrative and financial matters, including the implementation of the EIT budget. In this the Director shall take due account of advice received from the Internal Auditing Function;
- (j) be responsible for all staff matters;
- (k) submit the draft annual accounts and balance sheet to the Internal Auditing Function, and subsequently to the Governing Board, through the Executive Committee;
- (l) ensure that the obligations of the EIT with regard to the contracts and agreements it concludes are met;
- (m) *ensure effective communications with the Union's institutions;*
- (n) *act in the interests of the EIT, safeguarding its goals and mission, identity, autonomy and coherence, in an independent and transparent way.*

Section 5

Staff of the EIT

1. The staff of the EIT shall consist of personnel employed directly by the EIT under fixed term contracts. The conditions of employment of other servants of the European Union shall apply to the Director and the Staff of the EIT.
 2. Experts may be seconded to the EIT for a limited duration . The Governing Board shall adopt provisions enabling seconded experts to work at the EIT and defining their rights and responsibilities.
 3. The EIT shall exercise, with regard to its staff, the powers which are devolved to the authority authorized to conclude the contracts with the staff members.
 4. A member of staff may be required to make good, in whole or in part, any damage suffered by the EIT as a result of serious misconduct on his/her part in the course of or in connection with the performance of his/her duties.
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