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THE EUROPEAN PARLIAMENT

THE COUNCIL

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LEGISLATIVE ACTS AND OTHER INSTRUMENTS

Subject: REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE
COUNCIL amending Regulation (EC) No 294/2008 establishing the European
Institute of Innovation and Technology

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,

Acting in accordance with the ordinary legislative procedure²,

¹ OJ C 181, 21.6.2012, p. 122.

² Position of the European Parliament of 21 November 2013 (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 from 2014 to 2020 the EIT should contribute to the objectives of the "Horizon 2020 - The Framework Programme for Research and Innovation" established by Regulation (EU) No .../2013¹⁺ of the European Parliament and of the Council ("Horizon 2020") by integrating the knowledge triangle of higher education, research and innovation.
- (3) In order to ensure a coherent framework for participants in Horizon 2020, Regulation (EU) No .../2013 of the European Parliament and of the Council²⁺⁺ ('Rules for Participation') should apply to the EIT.

¹ Regulation (EU) No .../2013 of the European Parliament and of the Council of ... 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).

² Regulation (EU) No .../2013 of the European Parliament and of the Council of ... 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)].

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

- (4) The rules concerning the management of intellectual property rights are defined in the Rules for Participation.
- (5) The rules concerning the association of third countries are defined in Horizon 2020.
- (6) 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.
- (7) 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 horizontal issues. The EIT should also carry out information and communication activities targeting relevant stakeholders.
- (8) 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 micro-/small and medium-sized enterprises ("SMEs").
- (9) The scope of the EIT contribution to the KICs should be defined and the origins of the KICs' financial resources clarified.

- (10) 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.
- (11) 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.
- (12) The KICs should broaden their educational activities to enhance the skills base across the Union, by providing professional and other appropriate training courses.
- (13) Cooperation on the organisation of monitoring and evaluations of the KICs between the Commission and the EIT is required in order to ensure coherence with the overall Union-level monitoring and evaluation system. In particular, there should be clear principles for monitoring the KICs and the EIT.
- (14) The KICs should seek synergies with relevant Union, national and regional initiatives.
- (15) In order to ensure broader participation of organisations from different Member States in the KICs, partner organisations should be established in at least three different Member States.
- (16) The EIT and the KICs should develop outreach activities and disseminate best practices, including through the Regional Innovation Scheme.

- (17) 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.
- (18) 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.
- (19) The EIT, being under Horizon 2020, will be part of the mainstreaming of climate change expenditure as defined in Horizon 2020.
- (20) The evaluation of the EIT should provide timely input for the evaluation of Horizon 2020 in 2017 and 2023.
- (21) The Commission should strengthen its role in monitoring the implementation of specific aspects of EIT activities.
- (22) This Regulation lays down a financial envelope for the entire duration of Horizon 2020 which is to constitute the prime reference amount, within the meaning of point 17 of the Interinstitutional Agreement of ...⁺ between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management¹⁺⁺, for the European Parliament and the Council during the annual budgetary procedure. The financial contribution for the EIT should be provided from Horizon 2020.

⁺ OJ: Please add the date of the Interinstitutional Agreement contained in document 2011/2152(ACI).

¹ OJ C

⁺⁺ OJ: Please add the OJ reference of the Interinstitutional Agreement contained in document 2011/2152(ACI).

- (23) Contrary to initial expectations, the EIT Foundation will not receive a direct contribution from the Union budget, and the Union discharge procedure should therefore not apply to it.
- (24) For reasons of clarity, the Annex to Regulation (EC) No 294/2008 of the European Parliament and of the Council¹ should be replaced by a new Annex.
- (25) Regulation (EC) No 294/2008 should therefore be amended accordingly,

HAVE ADOPTED THIS REGULATION:

¹ 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) point 1 is 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 provide value to society;"

(b) point 2 is replaced by the following:

"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 Regulation (EU) No ...⁺/2013 of the European Parliament and of the Council* ("Horizon 2020");

* 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) and repealing Decision No 1982/2006/EC (OJ L ...⁺⁺⁺).";

(c) 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;"

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

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

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

(d) point 4 is deleted;

(e) 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;"

(f) 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;"

(g) 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;"

(h) the following points are added:

"10. "Stakeholder Forum" means a platform open to representatives of national, regional and local authorities, organised 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 higher education, research and innovation, including the establishment, administrative and coordination activities of the KICs, and contributing to the overall objectives of the 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 major challenges faced by 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 from 2014 to 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;"

(b) 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;"

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

"(f) promote the dissemination of best 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;"

(d) point (h) is replaced by the following:

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

(e) the following points are added:

- "(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, best 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 ensure appropriate communication and flow of information with the EIT, and be informed of the achievements of, 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 is amended as follows:

(a) paragraph 1 is amended as follows:

(i) 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 find solutions for the major challenges faced by European society;"

(ii) 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 among the recipients of EIT-labelled degrees and training;"

(iii) 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;"

(iv) the following point is added:

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

(b) 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 of higher education, research and innovation;

(b) aim to be open to new members whenever they 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.";

(b) 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.";

(c) 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 contribute to the general objective and priorities of Horizon 2020;
- (c) a multidisciplinary approach to innovation, including the integration of technological, social and non-technological solutions;
- (d) 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;
- (e) an appropriately balanced participation in the partnership of organisations active in the knowledge triangle of higher education, research and innovation;

- (f) 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;
- (g) 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, with a view to the commercial exploitation of the results of the activities of KICs;
- (h) readiness to establish concrete measures to interact and cooperate with the public and third sectors, as appropriate;
- (i) readiness to interact with other organisations and networks outside the KIC with the aim of sharing best practices and excellence;
- (j) readiness to establish concrete proposals for synergies with Union and other relevant initiatives.";

(d) 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 such partner organisations must be independent of each other, within the meaning of Article 8 of Regulation (EU) No ...⁺/2013 of the European Parliament and of the Council^{*}.

* Regulation (EU) No ...⁺/2013 of the European Parliament and of the Council of ...⁺⁺ laying down the rules for the participation and dissemination in "Horizon 2020 – the Framework Programme for Research and Innovation (2014-2020)" and repealing Regulation (EC) No 1906/2006 (OJ L ...⁺⁺⁺).";

(e) paragraph 4 is replaced by the following:

"4. In addition to the condition set out in paragraph 3, 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.";

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

⁺⁺ OJ: Please add the date of the Regulation in the document 2011/0399(COD).

⁺⁺⁺ OJ: Please add the OJ reference of the Regulation in the document 2011/0399(COD).

(f) the following paragraph is added:

"5. The EIT shall adopt and publish criteria and procedures for financing, monitoring and evaluating 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 of 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 Regulation (EU) No .../2013⁺ and in the SIA, and in cooperation with the Commission, organise continuous monitoring and periodic external evaluations of the output, results and impact of each KIC. The results of such monitoring and evaluations shall be reported to the European Parliament and to the Council and shall be made public.

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

Article 7b

Duration, continuation and termination of a KIC

1. Subject to the outcome of the 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.
 2. The EIT may establish a framework partnership agreement with a KIC for an initial period of seven years.
 3. 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.
 4. In the event that evaluations of a KIC show inadequate results, the Governing Board shall take appropriate measures, including the reduction, modification or withdrawal of its financial support or the termination of the agreement."
- (8) In Article 8(2), the following point is inserted:
- "(aa) disseminate best practices on horizontal issues;"
- (9) Article 10 is deleted.

(10) 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 issuing calls for proposals for the selection of the KICs."

(11) Article 14 is amended as follows:

(a) paragraph 2 is replaced by the following:

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

- (a) contributions from partner organisations, 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) the contribution from the EIT;
- (h) financial instruments, including those funded from the general budget of the Union.

Contributions may include contributions in kind."

- (b) 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.";

- (c) the following paragraphs are added:

"6. The EIT contribution shall not, on average, 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 the KICs' business plans and performance as measured by continuous monitoring."

(12) Article 15 is replaced by the following:

"Article 15

Programming and reporting

1. The EIT shall adopt 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 of the year which ends two years before the entry into force of the triennial work programme in question (year N - 2).

The Commission shall deliver an opinion on EIT specific objectives as defined in Horizon 2020 and its complementarities with Union policies and instruments within three months of the submission of the work programme. The EIT shall take due account of the Commission opinion and, in the event 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 the final work programme to the committee responsible of the European Parliament.

2. The EIT shall adopt 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 of the activities of the EIT, its contribution to Horizon 2020 and to the Union innovation, research and education policies and objectives at least once a year."

(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 of 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 best practices. In so doing, 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 European Parliament and the Council shall adopt the SIA in accordance with Article 173(3) of the Treaty on the Functioning of the European Union.".

(15) Article 19 is replaced by the following:

"Article 19

Budgetary commitments

1. 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 2 711,4 million in current prices.
2. That amount shall constitute the prime reference for the European Parliament and the Council during the budgetary procedure, within the meaning of point 17 of the Interinstitutional Agreement of ...⁺ between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management^{*}.
3. The annual appropriations shall be authorised by the European Parliament and the Council within the limits of the financial framework. The EIT financial contribution to the KICs shall be provided under this financial envelope.

* OJ C ...⁺⁺."

⁺ OJ: Please add the date of the Interinstitutional Agreement contained in document 2011/2152(ACI).

⁺⁺ OJ: Please add the OJ reference of the Interinstitutional Agreement contained in document 2011/2152(ACI).

(16) Article 20 is amended as follows:

(a) 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 to the Commission by 31 December of the year N - 2."

(b) 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 Union the estimates it deems necessary for the amount of the subsidy to be charged to the general budget."

(17) 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 Regulation (EU) No .../2013⁺ and with Regulation (EU) No .../2013⁺⁺.";

(b) paragraph 4 is replaced by the following:

"4. Upon a recommendation from the Council, the European Parliament shall, before 15 May of the year N + 2, give a discharge for the year N to the Director in respect of the implementation of the EIT budget."

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

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

- (18) Article 22(4) is deleted.
- (19) The following Article is inserted:

"Article 22a

Winding up of the EIT

In the event of the EIT being wound up, its liquidation shall take place under the supervision of the Commission in accordance with the applicable laws. 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 of 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 on the basis of 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 environment across the Union.

The Commission shall appoint the member(s) and inform the European Parliament and the Council of the selection process and of 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 an additional period of four years at the request of the Governing Board.

During a transitional period, the Board members initially appointed for a six-year period shall complete their term of office. Until that time there shall be 18 appointed members. Within six months of entry into force of this Regulation, one third of the twelve members appointed in 2012 shall be chosen by the Governing Board with the Commission's 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, at its own initiative, terminate the term of office of a member of the Board.

3. There shall be three representative members elected by the KICs from among their partner organisations. 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 procedures for the 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 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 term of office. 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

The Governing Board shall take necessary strategic decisions, in particular:

- (a) adopt the EIT's draft Strategic Innovation Agenda (SIA), triennial rolling work programme, budget, annual accounts and balance sheet and annual activity report, on the basis of a proposal from the Director;
- (b) adopt criteria and procedures for financing, monitoring and evaluating 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 where appropriate;
- (e) ensure the continuing evaluation of the activities of the 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 fees for members of the Governing Board and of the Executive Committee; such fees shall be benchmarked against similar remuneration 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 2343/2002¹;
- (n) be empowered to establish a Foundation with the specific objective of promoting and supporting the activities of the EIT;

¹ 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 Communities (OJ L 357, 31.12.2002, p. 72).

- (o) decide on the language policy of the EIT, taking into account 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.

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 points (a), (b), (c), (i) and (o) of Section 2, and under paragraph 1 of this Section shall require a majority of two thirds of its members having the right to vote.

3. The representative members may not vote on decisions under points (b), (c), (d), (e), (f), (g), (i), (j), (k), (o) and (p) of Section 2.
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 at the request of at least one third of all its members.

5. The Governing Board shall be assisted by the Executive Committee. The Executive Committee shall consist of three appointed members and the Chairperson of the Governing Board, who shall 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 a four-year period 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 shall 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) organise 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 supply all information necessary for the performance of their duties;
- (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 KICs selection process and ensure that the various stages of that process are carried out in a transparent and objective manner;
- (e) prepare, negotiate and conclude contractual agreements with the KICs;
- (f) organise the Stakeholder Forum, including the special configuration of Member States' representatives;
- (g) ensure the implementation of effective monitoring and evaluation procedures relating to the performance of the EIT in accordance with Article 16 of this Regulation;
- (h) be responsible for administrative and financial matters, including the implementation of the EIT budget, taking due account of advice received from the Internal Auditing Function;
- (i) be responsible for all staff matters;
- (j) submit the draft annual accounts and balance sheet to the Internal Auditing Function, and subsequently to the Governing Board, through the Executive Committee;

- (k) ensure that the obligations of the EIT with regard to the contracts and agreements it has concluded are met;
- (l) ensure effective communication with the Union's institutions;
- (m) 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 period. 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 authorised to conclude contracts with its staff.
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.

