

**DECISION OF THE GOVERNING BOARD
OF THE BIO-BASED INDUSTRIES JOINT UNDERTAKING**

of 6 July 2017

**Approving the guidance for reporting and certification of the in-kind
contributions to the operational costs (IKOP) of the Bio-based Industries
Joint Undertaking**

THE GOVERNING BOARD OF THE BBI JOINT UNDERTAKING,

Having regard to Council Regulation (EU) No 560/2014 of 6 May 2014 establishing the Bio-based Industries Joint Undertaking ('BBI JU'), in particular Article 4 thereof,

Having regard to the Statutes of the BBI JU, in particular Article 7(3)(s) and Article 12(3) thereof,

Having regard to the BBI JU Governing Board Rules of Procedure, and in particular Article 8 thereof;

WHEREAS:

- 1) The Council Regulations establishing BBI JU allows the members other than the EU to report the total costs incurred in implementing indirect actions as the basis for the valuation of IKOP.
- 2) according to the European Commission position 'Revised Commission position concerning in-kind contributions to the Joint Undertakings under Horizon 2020' - Ares(2016)3369605, members other than the EU can report and certify less costs than the Council Regulations allow them to (i.e. only non-reimbursed eligible costs rather than total costs).
- 3) Reporting in-kind contributions to the operational costs involves different processes than reporting and certification of the in-kind contributions to the additional activities, as the first ones are introduced in the accounts of the BBI JU since the signature of the Grant Agreements, and this leads to the necessity of defining a different methodology for each process.



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- 4) A guidance for reporting and for the certification of the in-kind contributions to the operational costs of the BBI JU is needed to ensure that its members other than the Union reports these contributions in a consistent manner and in line with the applicable legal provisions, taking into consideration its accounting treatment by BBI JU.
- 5) Article 11 of the Governing Board Rules of Procedure allows to adopt a decision of the Governing Board by written procedure.

HAS DECIDED AS FOLLOWS:

Article 1

The guidance for reporting and certification of the in-kind contributions to the operational costs of the BBI JU, as attached in Annex, is approved.

Article 2

This Decision shall enter into force on the day following its adoption.

Done at Brussels, on 6 of July 2017

For the Governing Board

Mari Quaedvlieg

Chairperson of the Governing Board

Annex: Guidance for reporting and certification of the in-kind contributions to the operational costs of the BBI JU



ANNEX: GUIDANCE FOR REPORTING AND CERTIFICATION OF THE IN-KIND CONTRIBUTIONS TO THE OPERATIONAL COSTS ('IKOP') OF THE BBI JU.

1. INTRODUCTION

The Bio-based industries Joint Undertaking (BBI JU) is a public-private partnership.

The JU members are the European Union represented by the European Commission (EC) and the Bio-based industries Consortium (BIC).

Council Regulation 560/2014¹ establishing the BBI JU ("BBI JU Regulation") provides for the following contributions from members:

1. The Union contribution of up to EUR 975 million to cover administrative costs and operational costs as follows:
 - a) At least EUR 945,75 million for operational costs.
 - b) Up to EUR 29,25 million for administrative costs corresponding to 50% of the total maximum amount of administrative costs.
2. Contributions from members other than the Union or their constituent entities shall amount to at least EUR 2,730 million as follows:

For operational activities and additional activities

 - a) In-kind contributions to cover operational costs (IKOP").
 - b) In-kind contributions consisting of the costs incurred by them in implementing additional activities outside the work plan of the BBI JU (referred to here after as in-kind contributions in additional activities or IKAA) for at least EUR 1,755 million.
 - c) Financial contribution shall be at least EUR 182 500 000 over the period provided for in Article 1 of the BBI JU Regulation.

For administrative costs

 - d) Up to EUR 29,25 million in cash corresponding to 50% of the total maximum amount of running costs.

2. SCOPE

This document aims at establishing guidance for the reporting and the certification of IKOP. Currently BIC members and its affiliated can opt to report and certify IKOP choosing between two ways:

1. the reporting and the certification methodology of total costs as stated in the Council Regulation art.4;

¹ Council Regulation (EU) No 560/2014 of 6 May 2014 establishing the Bio-based Industries Joint Undertaking, OJ L 169, 7.6.2014, p. 130-151



2. the method based on the calculation of eligible costs. This means that the calculation is not based on the total costs of the project, but rather on the total eligible costs, as identified in the project budget, as stated in the EC position (2016)3369605.

The document recalls definitions of some key concepts to ensure common understanding (section 3), describes the process of reporting the estimated and the certified values of in-kind contributions to the operational costs if these costs are based on the H2020 model(section 4).

3. DEFINITION AND VALUATION METHOD OF IN-KIND CONTRIBUTIONS IN OPERATIONAL ACTIVITIES (IKOP)

IKOP are *costs incurred by the members other than the Union or their constituent entities in implementing indirect actions less the contribution of the BBI Joint Undertaking and any other Union contribution to those costs* (see Art .12(3)(c) Statutes of the BBI JU annexed to the BBI JU Regulation).

Consequently, in order to be considered as IKOP, and in accordance with Article 4 of the BBI JU Regulation, the costs must cumulatively be:

- incurred by the members of the BBI JU other than the Union or their constituent entities in implementing BBI JU indirect actions and not reimbursed (by BBI JU or the Union);
- recorded in the accounts of the entity, according to the usual accounting practices of the entity concerned ; these practices need to be formalised, documented and consistently applied by the entity concerned;
- incurred during the period declared by the entity concerned;
- reported in accordance with the requirements of the BBI JU Regulation ;
- identifiable, verifiable and backed up by original supporting documents.

4. GUIDELINES FOR THE REPORTING AND CERTIFICATION OF IKOP

The members of the BBI JU other than the EU have the legal obligation to reach the amounts specified in Art. 4(1) of the BBI JU Regulation.

Article 15(1) of the BBI JU Statutes provides that the Annual Work Plan (AWP) shall include an estimated value of IKOP. The estimation will be based taking into account the average participation of BIC members (or their constituent entities) in each type of action.

4.1 Reporting

The members of the BBI JU other than the Union are required by BBI JU to submit to the Governing Board, a report² concerning IKOP,

² For the purposes of this procedure, this report shall be referred to as the 'Report on estimated IKOP'



presenting the costs to be considered as the basis for the valuation of IKOP. The amount can be based on estimates and the report shall be sent by 31 January of each year.³

Value of reported estimated IKOP

The value of estimated IKOP will be determined by the BBI JU annually (year N), following the signature of Grant Agreements for a specific Call, and introduced as liabilities in BBI's accounts. This first estimation is updated no later than January of N+1, following the principle of 'best available information', taking into account the information provided by the members other than the Union participating in BBI JU projects.

Article 4(4) of the BBI JU Regulation provides that for the purpose of valuing IKOP the costs should be determined *in accordance with the usual accounting practices of the entities concerned, to the applicable accounting standards of the country where the entity is established, and to the applicable International Accounting Standards and International Financial Reporting Standards*

The value of estimated IKOP will be updated by the BBI JU, in its accounts, in the following cases:

- in case the Grant Agreements become subject to amendments affecting their budget figures, or
- in case of a change of BIC membership: for BIC or non-BIC members leaving, respectively joining BIC in the middle of a reporting period, the IKOP provided by them shall be taken into consideration for the reporting period in which they have contributed.⁴

4.2 Certification

According to Article 4(4) of the BBI JU Regulation, the costs (i.e. IKOP) shall be certified by an independent external auditor appointed by the entity concerned (BIC members). As a matter of principle, the certification, required by the BIC member to the independent external auditor, shall occur annually⁵ and preferably by the time of the establishment of the final accounts of the BBI JU (i.e. by 30 April). However, although the annual certification remains the principle, it is permitted that the BIC member can certify only a fraction of the costs.⁶

As mentioned above, the constituent entities of BIC is free to decide between two ways of certification: the one including the total costs incurred in implementing their projects or the one only including the eligible costs incurred.

³ Article 15(1) of the BBI JU Statutes

⁴ This option is chosen in order to reduce the administrative burden for the BBI JU and as a measure of efficient management of resources.

⁵ This is because the annual certification would allow the Commission to monitor the contributions from BIC to the BBI JU

⁶ Considering the high costs (paid by the BIC member or affiliated) of an external independent auditor, the European Commission decided to not set as annual burden the certification of the all costs. Which are the cost not yet certified remain liabilities in the JU account.



In the first case (i.e. the case in which BIC constituent entities choose to include in the basis for the valuation of IKOP the total costs incurred in implementing their projects), the concerned constituent entities of BIC shall take the following steps:

- appoint an independent external auditor, in view of obtaining an audit certificate covering the costs incurred by them during the reporting period; the audit certificate shall follow the Terms of Reference (ToR) and the model audit certificate as provided by BBI JU⁷;
- send the audit certificate to BIC so as to enable the latter to comply with the annual certification by 30 April;

In the second case (i.e. the case in which BIC constituent entities choose to include in the basis for the valuation of IKOP only the eligible costs incurred in implementing their projects), the concerned constituent entities of BIC shall take the following steps:

- appoint an independent external auditor, in view of obtaining an audit certificate covering the costs incurred by them during the reporting period of the project; in case the same reporting period is covered by a Certificate on Financial Statement (CFS), this can also be used for this purpose;
- send the audit certificate to BIC so as to enable the latter to comply with the annual certification by 30 April;

Considering that projects financed by BBI JU last, in average, three or four years, until the closure of the last project financed by BBI JU, it can be expected that there will be always a dichotomy between the value of the IKOP reported annually and the value of the certified one.

Certified IKOP and JU net assets

The value of certified IKOP will be determined by the BBI JU, taking into account the audit certificates provides for the BIC members choosing to certify taking into account the total costs of the projects, or the CFS for the project partners that have chosen to certify based on the H2020 model cost,, as well as on the basis of ex-post audit reports carried out by the BBI JU, where applicable.⁸

The certified amounts will become net asset of the BBI JU after validation.

5. Collaboration between the BBI JU and BIC

In order to properly identify the membership of the BIC, the latter will regularly provide an updated list of its constituent entities. On this basis the BBI JU will prepare a draft report and will submit it to the BIC secretariat for validation or correction of the way their membership has been taken into account.

⁷ As published in BBI JU website and directly facilitated to BIC members.

⁸ BIC members (BNRFs) that are not required by the Grant Agreement to report on their costs using the CFS, have voluntarily agreed to use the CFS as an audit certificate model in order to certify their costs and have them counted as certified IKOP



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