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15. ADMINISTRATIVE AND ACCOUNTING RULES

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Part I - General Provisions

1. Purpose

These Rules, in accordance with the Statute, regulate the drawing up, representation and management of the accounting structure and activities leading to the budget and the balance, supervise the administration of the activities as far as their economical and financial effects are concerned, supervise the management of the capital investment and provide the principles for the control of all administrative actions.

All the details concerning the application of these Rules will be drawn taking into account the IAS international principles and will be contained in an Operating Manual, which will be drawn up by the Executive Director, in consultation with the Board of Directors of the Partner Facilities (BoD) and after acquiring the opinion of the Independent Auditors.

2. Principles

The Consortium is managed ensuring the pursuit of the institutional purposes, the speed and efficiency in its actions, the sound financial/economic equilibrium, the clarity, completeness and transparency of the administrative/accounting procedures and financial statements and the clear attribution of responsibilities.

In building a shared and integrated system of management of all the resources for the activities of the Consortium, available both directly or through the Partner Facilities and Associate Facilities, the management shall ensure the setting up and correct operation of a distributed administration, involving the Partner Facilities (PF), through personnel specifically trained and delegated for this purpose. From the administrative point of view, CERIC may set-up "Centres of Responsibility (CoR)" for the execution of specific administrative activities related to the institutional scope. These Centres are set-up upon proposal of the ED and by decision of the GA, in view of allowing the PF to be a "place of operation" of CERIC, as provided for in the Framework Agreements. These Centres will have autonomous fiscal and legal capacity to act on behalf of CERIC for the execution of specific administrative activities under the ultimate direction of the ED.

The Executive Director (ED), whose tasks and powers are defined according to the specific Regulation (n. 5) is charged with the management and coordination of the administrative activities and he/she is granted the power for the implementation of the policies defined in the budget approval Meeting of the GA (or by the GA in general).

The ED, within the frame of the specific Regulation and the powers granted to her/him by the Statute and/or resulting from the appointment resolution by the GA, may, in turn, delegate administrative operating powers with internal scope and range, or proxies having mandatory effects on other people specifically entrusted by CERIC, in order to speed up and

decentralize the administrative action and/or to ensure the ordinary management when the ED is not available.

When exerting its administrative functions as well as general coordination functions, the ED will systematically interface with the Chair of the Board of Directors, and when needed with the single Directors. He/she will also take part in the Board of Directors (BoD) meetings.

In particular, taking into account the functions reserved to the BoD and to its Chair, the ED shall coordinate with each Facility Director during the drawing up of the budget and balance, in particular for what regards the in-kind contributions by each Facility, therefore systematically checking information and data that may allow the effective management of activities, the acquisition of the contributed financial, human and instrumental resources, in compliance with the provisions of the statute, and to ensure the correct and timely development of the ongoing activities, plans and projects.

Part II – Capital Investment and financial services

3. Capital investment

The Consortium capital consists of the money set aside or the investments made for this purpose during the setting up phase and afterwards.

Any year's surplus, which, considering CERIC's institutional scope, cannot be distributed as profits and is bound to the statutory purposes on the basis of the GA resolutions, is part of the capital.

The Consortium capital investment consists of financial assets and properties, divided into intangible and tangible, according to the classification criteria of the international accounting principles.

The inventory of the Assets contains all the information useful for the correct identification of the asset, its location, the legal Entity or individual to whom it is entrusted and any other relevant indication.

At the end of each year, the Director shall carry out a check of the assets being part of the Capital Investment, in order to prepare the drawing-up of the yearly balance.

All the assets acquired by the Consortium, also when using annual Member's contributions or funds autonomously raised by the Partner Facilities and then conferred to CERIC, are property of the Consortium.

4. Bank and Financial Services

Bank and financial services are assigned by the ED on the basis of specific contracts, in consultation with the Independent Auditors, to one or more banks having a proved and

stable international rating, selected according to procedures able to ensure low costs, equal treatment, transparency and efficiency.

Within the scope of the relationships between the Consortium and the above defined bank/s, current accounts for the operation of CERIC under the ultimate direction of the ED through individual Partner Facilities may be opened.

The GA, on the proposal of the ED and with the favourable opinion of the Independent Auditors, shall approve the contracting of mortgage loans and advances, as well as standing guarantees.

Part III – Accountancy

5. Principles

The definition of the accountancy organization, which starts with the budget and ends with the annual balance at year end, consists in the adoption of criteria to detect and evaluate the administrative and managerial events and of their description according to the economic-equity method, applying the IAS International accounting principles.

The evaluation base principle of the resources relevant to the balance statements is the historical cost.

The Consortium administrative-accounting activity is carried out with the active participation of the Centres of Responsibility (CoR) operating in the Partner Facilities by means of ICT facilities, according to principles of autonomy, responsibility and accountability.

The managers operating in each CoR are empowered by the ED, on the proposal of the Board of Directors, in consultation with the Director of the specific PF. The training of these personnel in an international environment is a specific action within the institutional mission of CERIC.

The instruments for the administrative-accounting management of the Consortium are the yearly budget and the final balance.

The accounting follows the principles of unity, universality and annuality of the balance and the continuity of management.

The accounting year lasts one year and corresponds with the calendar year.

The extra-balance management is excluded.

The administrative and management events are reported on an accrual basis according to the criteria set by the IAS international accounting principles.

The management of commercial activities, eventually required by public or private entities on the basis of specific contracts, is performed by establishing a separate accountancy

drawn up in accordance with the same principles as the main accountancy, kept in compliance with the applicable fiscal laws and the specific provisions enforcing the present Rules.

6. Structure, criteria and purpose of the Budget

The budget is the yearly programming instrument.

The budget shall include the indications and decisions of the GA, the specific suggestions and indications of the BoD and the opinion of ISTAC. It is drawn up on the basis of the forecast of revenues, costs, investments, financial flows, description and availability of the in-kind contributions and of their values, and describes the purposes of the future management of these assets available to CERIC.

In particular, the budget analytically shows the material and financial resources allotted to research activities, having special regard to the in-kind contributions, it defines the fields where the research activity will concentrate during the year, pointing out the relevant costs and financing modes.

The Budget contains a separate forecast of the expenditure for the "central/institutional" activities, and includes the expected in kind contributions and their values for activities performed by the PF.

The Operating Manual will contain further details on these specific aspects to be reported in the Budget.

7. Budget drawing up and approval

The ED should prepare and draw-up the yearly budget, allowing the Chair of the GA to call the Meeting for its approval usually within the month of November each year.

The GA, in its guidelines, may invite the ED to draw up a budget including a wider programming span of three years, and eventually detailing specific multi-year projects.

In drawing up the budget, the Director shall take into account the results of a provisional balance relating to the year in progress, as well as the indications emerging from the PF through the activity of the CoRs, and with the involvement of the BoD and the specific Director of the PF.

The ED shall record in the documentation submitted to the GA any indication obtained from the BoD and the opinion of the ISTAC, and, if any, observations from the Independent Auditors, in particular regarding specific programs in order to implement procedures implying the application of Tax exemptions by CERIC, the Members or the Representing Entities for provisions set out in the following Art. 9.

8. Final Balance

Following Art. 7 of the Statute, the yearly final balance is approved within the term of six months from the end of the relevant year.

The first year will end on December 31st of the calendar year in which the CERIC is established.

The end of year balance consists of the following documents:

- Balance sheet, consisting of Statement of the assets and liabilities and Profit and Loss account;
- Accounting of the in-kind contributions effectively made available by the Partner Facilities and/or other Contributors and of the values reflecting the monetary values of these resources;
- Note integrating the economic-financial statements, which contains the elements and data useful to inform the GA and enable it to understand and approve the balance, as well as to make it understandable to all interested stakeholders;
- Report on the management and financial statement;
- Report on the application of tax exemptions by CERIC, the Members and the Representing Entities for the institutional scope of CERIC;
- Report of the Independent Auditors and of the IAEC;

The balance is drawn up in compliance with the principles of clarity and transparency and provides a correct and exhaustive picture of the capital investment, and of the economic and financial relationships set-up by the Consortium in developing its activities. It also accounts for the types of investment, which eventually have been set up.

All above documents, given the fact that the Consortium operates mainly on public resources, must be uploaded in the public CERIC website.

Part IV – Tax Exemptions and specific provisions

9. Cases and modalities in which tax exemptions are applicable

With reference to Article 7 of the Statute, and to the provisions of the Regulations on the setting-up of the ERICS and on VAT and Excise duties, the following cases and modalities of application of tax exemptions are envisaged (with the exception of VAT exemptions which shall be limited to purchases exceeding the value of 300 euro):

- The purchase of goods and services made by CERIC for the sole use connected to its institutional activities, and excluding its economic activities, are exempt from VAT and Excise duties.
- The purchase of goods and services made by Members of CERIC in their name but on behalf of CERIC, for the sole use of CERIC, within the scope and limits of the

previous comma, are tax exempt.

- The purchase of goods and services made by any Entity in the name and on behalf of CERIC, for the sole use of CERIC, within the scope and limits as above, are tax exempt.
- The purchase of goods and services made by a Representing Entity on behalf of its Member within the mandate of representation given by such a Member, for the sole use of CERIC as an in-kind contribution, and within the scope and limits of the previous commas, are tax exempt.

The specific detailed application and certification of the above cases may be detailed in an Operative Manual in agreement with the IAEC and the Tax authorities of the Countries (Members of CERIC) where the exemptions are applied.

Part V – Supervision, links and application

10. Tax exemptions and Independent Audit Expert Committee (IAEC)

The IAEC is set-up and operates as detailed in the Internal Regulation n. 9. It will be involved initially in defining and setting-up the detailed rules and procedures related to the application of Tax Exemptions on in-kind contributions and, in the current activities, in the verification and certification of the extension and limits of application of VAT and Excise duties exemptions and/or refunds.

11. General supervision and the Independent Auditors

The Independent Auditors are selected and nominated according to the indications of Regulation n. 9 and will be involved in all aspects of initial definition of the administrative procedures and will be entrusted to verify their application in the current activities. In carrying out these activities, they refer to the generally acknowledged Audit Principles.

12. Links and Application of the present Regulation

As indicated in the introduction, this Regulation may be implemented with a detailed Operating Manual to be developed with the involvement of the IAEC (limited to the Tax exemption aspects) and of the Independent Auditors.

Several aspects of the Administration are also contained in the other specific Internal Regulations, and cross references should be always made when applying them.