



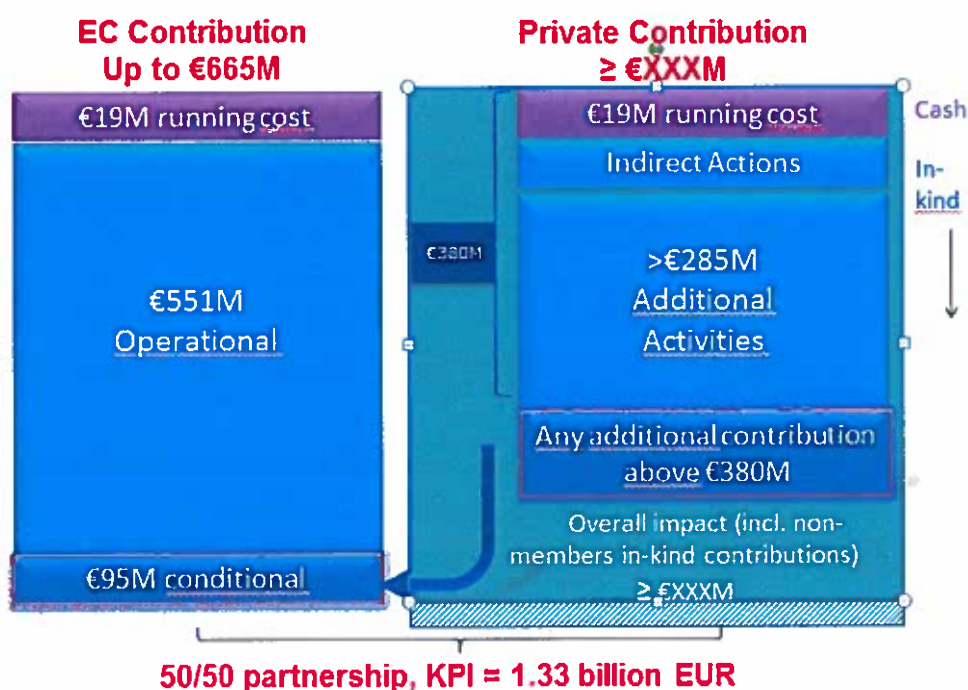
**FCH 2 JU METHODOLOGY FOR 'IN-KIND CONTRIBUTIONS IN
ADDITIONAL ACTIVITIES' (IKAA)**

1. INTRODUCTION

The Fuel Cells and Hydrogen Joint Undertaking (FCH JU) is a public-private partnership.

The JU members are the European Union represented by the European Commission (EC), Hydrogen Europe and N.ERGHY.

Council regulation 559/2014¹ setting up the FCH 2 JU provides for the following contributions from members:



1. The Union contribution up to EUR 665 million to cover administrative costs and operational costs as follows:
 - a) Up to EUR 570 million corresponding to the minimum level of contribution committed by the members other than the Union or their constituent entities or their affiliated entities among which up to EUR 19 million corresponding to 50% of the administrative costs (i.e. EUR 38 million)
 - b) Up to EUR 95 million to match any additional contribution committed by the members other than the Union or their constituent entities or their affiliated entities above the minimum EUR 380 million.
2. Contributions from members other than the Union or their constituent entities or their affiliated entities shall amount to at least EUR 380 million as follows:
For operational activities and additional activities

¹ Council Regulation (EU) No 559/2014 of 6 May 2014 establishing the Fuel Cells and Hydrogen 2 Joint Undertaking, OJ L 169, 7.6.2014, p. 108–129

- a) In-kind contributions to cover operational costs (referred to here after as in-kind contributions in operational activities “IKOP”).
- b) In-kind contributions consisting in the costs incurred by them in implementing additional activities outside the work plan of the FCH 2 JU (referred to here after as in-kind contributions of additional activities “IKAA”) for at least 285 million.

For administrative costs

- c) Up to EUR 19 million in cash corresponding to 50% of the running costs (43% for IG and 7% for RG)

The members of the JU other than the EU have the legal obligation to reach these amounts. In addition, part of the EU contribution (EUR 95 million) is conditional to additional contributions from members other than the EU.

This document aims at defining a methodology on IKAA² in order to ensure (1) a common interpretation of the relevant provisions of Council Regulation 559/2014 and (2) a transparent and consistent implementation of these provisions³. Although not required by the legal basis, it is proposed to the Governing Board for endorsement to ensure common agreement and legal stability.

The document provides an overview of the legal background (section 2), defines some key concepts to ensure common understanding (section 3), underlines the confidentiality considerations (section 4), describes the planning and reporting on the level of in-kind contributions (section 5), and explains control mechanisms on the level of in-kind contributions (section 6).

² Similarly a methodology on IKOP was submitted for the GB endorsement in 2015.

³ The methodology is fully applicable for the reporting period of year 2017 and onwards, stemming from process improvements and experience during the first two reporting periods of 2014/2015 and 2016.

2. LEGAL BACKGROUND

Article 3 of FCH 2 JU Regulation

Union financial contribution

1. *The Union financial contribution to the FCH 2 Joint Undertaking, including EFTA appropriations, to cover administrative costs and operational costs shall be up to EUR 665 000 000, and shall consist of:*
 - (a) *up to EUR 570 000 000 corresponding to the contribution committed by the Members of the FCH 2 Joint Undertaking other than the Union or their constituent entities or their affiliated entities in accordance with Article 4(1),*
 - (b) *up to EUR 95 000 000 to match any additional contribution committed by the Members of the FCH 2 Joint Undertaking other than the Union or their constituent entities or their affiliated entities above the minimum amount specified in Article 4(1).*

Article 4 of FCH 2 JU Regulation

Contributions of Members other than the Union

1. *The Members of the FCH 2 Joint Undertaking other than the Union shall make or arrange for their constituent entities or their affiliated entities to make a total contribution of at least EUR 380 million over the period defined in Article 1.*
2. *The contribution referred to in paragraph 1 shall consist of the following:*
 - (a) *contributions to the FCH 2 Joint Undertaking as laid down in clause 13(2) and clause 13(3)(b) of the Statutes contained in the Annex.*
 - (b) *in-kind contributions of at least EUR 285 million over the period defined in Article 1 by the Members other than the Union or their constituent entities or their affiliated entities, consisting of the costs incurred by them in implementing additional activities outside the work plan of the FCH 2 Joint Undertaking contributing to the objectives of the FCH Joint Technology Initiative. Other Union funding programmes may support those costs in compliance with the applicable rules and procedures. In such cases, Union financing shall not substitute for the in kind contributions from the Members other than the Union or their constituent entities or their affiliated entities.*

Those costs referred to in point (b) shall not be eligible for financial support by the FCH 2 Joint Undertaking. The corresponding activities shall be set out in an annual additional activities plan that shall indicate the estimated value of those contributions.
3. *The Members of the FCH 2 Joint Undertaking other than the Union shall report each year by 31 January to the Governing Board of the FCH 2 Joint Undertaking on the value of the contributions referred to in paragraph 2 made in each of the previous financial years.*

4. *For the purpose of valuing the contributions referred to in point (b) of paragraph 2 and clause 13(3)(b) of the Statutes contained in the Annex, the costs shall be determined according to the usual cost accounting practices of the entities concerned, to the applicable accounting standards of the country where each entity is established, and to the applicable International Accounting Standards / International Financial Reporting Standards. The costs shall be certified by an independent external auditor appointed by the entity concerned. The valuation method may be verified by the FCH 2 Joint Undertaking should there be any uncertainty arising from the certification. For the purposes of this Regulation, the costs incurred in additional activities shall not be audited by the FCH 2 Joint Undertaking or any Union body.*
5. *The Commission may terminate, proportionally reduce or suspend the Union financial contribution to the FCH 2 Joint Undertaking or trigger the winding up procedure referred to in clause 21(2) of the Statutes contained in the Annex if those Members or their constituent entities or their affiliated entities do not contribute, contribute only partially or contribute late with regard to the contributions referred to in paragraph 2. The Commission decision shall not hinder the reimbursement of eligible costs already incurred by the Members by the time of the notification of the decision to the FCH 2 Joint Undertaking.*

Recital 14:

In assessing the overall impact of the Fuel Cells and Hydrogen Joint Technology Initiative, the investments from all legal entities other than the Union that contribute to the objectives of the Fuel Cells and Hydrogen Joint Technology Initiative will be taken into account. Costs incurred by all legal entities on additional activities outside the work plan of the Fuel Cells and Hydrogen 2 Joint Undertaking that contribute to the objectives of the Fuel Cells and Hydrogen 2 Joint Undertaking should be declared upon signature of grant agreements. These overall investments to the Fuel Cells and Hydrogen Joint Technology Initiative are expected to amount to at least EUR 665 000 000.

3. DEFINITION AND VALUATION OF IN-KIND CONTRIBUTIONS IN ADDITIONAL ACTIVITIES (IKAA)

Definition

According to the FCH 2 JU Regulation, Additional Activities (AA) are defined as activities carried out by Members of Hydrogen Europe and N.ERGHY and their affiliates⁴ contributing to the FCH 2 JU programme's objectives⁵ but undertaken outside its work plan, which are not funded by the European Union, nor by the Joint Undertaking.

To be considered as IKAA the costs for the additional activities must be incurred by directly by Members of the Hydrogen Europe and N.ERGHY or their affiliates.

It has been further clarified with the European Commission that:

- Activities co-funded by national, regional or local funds are also eligible for submission,
- In principle, only activities undertaken in Europe are eligible. The relevance of any activities with non-European aspects must be well justified⁶
- These may include research activities with higher risk and lower maturity, deployment activities and activities related to other investments (infrastructure, facilities, tools, durable equipment) etc.
- AA should demonstrate leverage of the FCH 2 JU, which implies that there should be a certain causal effect between the creation/existence of the JU and the activities reported.
- Usual accounting practices are to be used for determining the value of AA (“cost incurred”).

When submitting the annual AA plan, Members have to clearly explain how these contribute to the FCH 2 Joint Undertaking objectives as defined by FCH 2 JU Regulation.

Valuation

The Regulation provides that the determination of the costs taken into account for the valuation of the in-kind contributions *shall be in accordance with the usual cost accounting practices of the entities concerned, the applicable accounting standards of the country where the entity is established, and the applicable International Accounting Standards and International Financial Reporting Standards.* (Article 4.4)

⁴ As per Horizon 2020 Rules of participation, an “affiliated entity” means any legal entity that is under the direct or indirect control of a participant, or under the same direct or indirect control as the participant, or is directly or indirectly controlling a participant”. In practice, it is a subsidiary of the participant, a sister- company of the participant within the same group or a participant is a parent-company with a controlling stake of at least 50%. This data is provided for information only.

⁵ As defined in Article 2 of the COUNCIL REGULATION (EU) No 559/2014

⁶ Relevance of the investments taking place outside Europe is assessed during the review and approval of the annual IKAA plan

4. CONFIDENTIALITY

In order to protect the business interests of the members of Hydrogen Europe and N.ERGHY, all information submitted in the framework of the AA process is treated as strictly confidential.

To ensure confidential treatment of the IKAA information, the following elements have been established:

- an external provider (independent audit firm), separate from any Hydrogen Europe and N.ERGHY operations, and independent from the FCH 2 JU Programme Office and EC was contracted to act as an intermediary in the IKAA data collection, reporting and certification process;
- an online tool with personalized log-in details managed by the external provider was developed and is used for secured access and submission of information with unique identifications and data encryptions for individual members;
- explicit confidentiality and non-disclosure conditions have been defined between the external provider and all participating members, which are available in the online submission system, accepted by each member as part of the submission process and available for download & print for future reference;
- based on demand and indication by a specific member, data submitted via the secured tool can be further anonymised (i.e. name of the member is not disclosed);
- the tool is maintained by the external provider who provides necessary guidance for individual members and any further clarifications via bilateral contact with the individual members within the rules of confidentiality;
- the external provider assist members equally with submission of the preliminary reporting data and during certification process of the final IKAA figures.
- only authorised personnel of the EC and the FCH 2 JU Programme Office⁷ (outside the Governing Board) will have access to full, non-anonymous IKAA data to the extent enabling them to carry out necessary validation review steps.

Only consolidated (not individual) IKAA information is provided to the FCH 2 JU Governing Board in the form of AA Plans/Reports.

In this context, it is expected that the final AA Plan/Reports documents will contain three tiers of data:

- Fully disclosed information, especially for projects in the public domain
- Partially anonymized data (i.e. name of the member is not disclosed)
- Aggregated figures per FCH 2 JU objectives/ per Hydrogen Europe & N.ERGHY/ per reporting periods (i.e. for public reporting)

⁷ Access to confidential IKAA data is given to an independent neutral person of the FCH 2 JU Programme Office (i.e. Internal Control and Audit Manager) to enable to carry out necessary checks for IKAA data reasonableness and consistency

In addition, a list of members contributing to the exercise (without specifying links to individual contributions requested to be treated as confidential) is also made available to the FCH 2 JU Governing Board.

5. PLANNING AND REPORTING OF THE LEVEL OF IKAA

There are three important deliverables in the course of IKAA process:

1. IKAA Plan
2. IKAA preliminary reporting
3. IKAA certified report

IKAA Plan

Article 7 of FCH 2 JU Regulation (Tasks of the Governing Board)

3. *The Governing Board shall in particular carry out the following tasks:*

...

(h) approve the annual additional activities plan referred to in Article 4(2)(b) of this Regulation on the basis of a proposal from the Members other than the Union and after having consulted, where appropriate, an ad hoc advisory group;

the following mechanism for IKAA Plan submission for the FCH 2 JU GB approval is established:

- IKAA Plan data are collected via a secured online tool managed by the external provider;
- IKAA Plan data are based on estimates;
- IKAA Plan template follows the EC guideline⁸ and agreed principles (we refer to Annex 1);
- IKAA Plan for year N+1 is submitted for FCH 2 JU GB formal approval by the end of the year N, together with Annual Work Plan (AWP) for year N+1;

After approval of the IKAA Plan by the FCH 2 JU GB, Hydrogen Europe & N.ERGHY prepare and publish a public version, containing aggregated anonymised data⁹.

NB: Even though only the amounts above internally established certification threshold (see footnote 14) of EUR 325.000 count towards the total IKAA Plan amount, Hydrogen Europe & N.ERGHY collect and publish data on contributions below the threshold too, for information purposes only.

IKAA Plan – Amendment

In case there is a need for re-opening of the Plan, this is foreseen to be undertaken in the time when IKAA preliminary reporting data are collected; i.e. in October/ November of the year N+1.

⁸ Ref. Ares(2016)603620 - 03/02/2016

⁹ Such a report is available on the internet sites of Hydrogen Europe as well as in the official website of the FCH 2 JU

The IKAA Plan may be amended in case of significant additions (i.e. new additional activities for the concerned year not initially foreseen when establishing the Plan).

Similarly to the original IKAA Plan, a formal decision of the FCH 2 JU GB is required for the approval of the IKAA Plan - Amendment.

Subsequently to the formal approval of the IKAA Plan - Amendment, Hydrogen Europe & N.ERGHY prepare and publish a public version of the entire revised IKAA Plan for the year N, including new activities, in an aggregated anonymised format¹⁰.

All other changes (e.g. different realised figures per activity than planned; cease of the continuation of the membership of the private member during the reporting period, etc.) concerning already submitted activities are considered as standard and do not require a second adoption by the FCH 2 JU GB.

IKAA Preliminary Reporting

Article 4.3 of FCH 2 JU Regulation

The Members of the FCH 2 Joint Undertaking other than the Union shall report each year by 31 January to the Governing Board of the FCH 2 Joint Undertaking on the value of the contributions referred to in paragraph 2 made in each of the previous financial years.

Position of the Commission¹¹

Costs to be considered as the basis for the valuation of IK shall be reported annually, by 31 January, to the Governing Board of the JU, as per Art. 4(3) of the Council Regulations. The total amount can be based on estimates.

From the relevant legal basis, the following mechanism for IKAA preliminary reporting is established:

- IKAA Preliminary reporting data are collected via a secure file repository maintained by the independent service provider
- IKAA Preliminary reporting data can be based on estimates;
- IKAA Preliminary reporting template follows the EC guideline¹² (we refer to Annex 1);
- Significant differences between IKAA Plan and reported figures are to be explained and commented by the member upon submission;
- IKAA Preliminary reporting data for year N are collected by the end of the year N;
- IKAA Preliminary reporting data are communicated to the FCH 2 JU GB in the form of a letter from Hydrogen Europe & N.ERGHY (no formal approval of the Preliminary reporting data is foreseen) by 31 January of N+1.

¹⁰ Such a report is available on the internet sites of Hydrogen Europe as well as in the official website of the FCH 2 JU.

¹¹ Ref. Ares(2016)3369605 concernant "Revised Commission position concerning in-kind contributions to the Joint Undertakings under Horizon 2020" envoyé par M/Mme SMITS Robert-Jan le 13/07/2016.

¹² Ref. Ares(2016)603620 - 03/02/2016

IKAA Certified Reporting

Article 4.4 of FCH 2 JU Regulation

The costs shall be certified by an independent external auditor appointed by the entity concerned.

Position of the Commission¹³

"The costs serving as the basis for the valuation of those in-kind contributions may be certified at a later date. They should be certified by the time of the establishment of the final accounts in accordance with the financial rules of the Joint Undertaking."

"It is up to the JUs to develop Terms of Reference (ToR) and a model for the certificate, as long as they fulfil the following minimum requirements:

- All the costs reported (relating to the implementation of indirect actions or additional activities) have been incurred by the member other than the EU and recorded in its accounts according to the usual cost accounting practices of the entity concerned;*
- These practices are formalized, documented and consistently applied by the member;*
- The costs have been incurred during the period declared by the member other than the EU;*
- The costs are reported in accordance with the requirements of the Council Regulation setting up the JU;*
- The costs are identifiable and verifiable and are backed up by original supporting documents.*

In case of uncertainties arising from the certification, the JUs may verify the valuation method, as foreseen by Art. 4(4) of the Council Regulations setting up the JUs."

From the relevant legal basis, in order to enable to verify that the costs declared as additional activities in the reports are eligible, the following mechanism for IKAA certified reporting is established:

- Each member is responsible for selecting and appointing an independent auditor or Public Officer to certify the IKAA report for the given reporting period(s);
- Terms of Reference (ToR) developed by the FCH 2 JU are provided to the members and their auditors, including minimum criteria as listed above;
- Template of the Certificate was developed by the FCH 2 JU, listing minimum eligibility criteria (we refer to Annex 2);
- The Certificate submitted by a member (for all activities, including the activities of an affiliated entity) is a report on factual findings submitted for each reporting member (and linked affiliate) that reports cumulatively total of EUR 325 000¹⁴ or more;

¹³ Ref. Ares(2016)3369605 concernant "Revised Commission position concerning in-kind contributions to the Joint Undertakings under Horizon 2020" envoyé par M/Mme SMITS Robert-Jan le 13/07/2016.

¹⁴ Certification threshold of EUR 325 000 was established due to cost-efficiency reasons, in order to support declaration of the additional activities of the small members (not subject of the certification, not counted towards IKAA target) and in order to focus review and control checks on the amounts cumulatively representing 98 – 99% of the overall IKAA value (based on the joint study performed by the external provider and FCH 2 JU Programme Office)

- Additionally to the ToR, FCH 2 JU developed a indicative list of the agreed procedures that should serve as a guidance for members and their auditors during the certification process (we refer to Annex 2 and Annex 3);
- IKAA certified reports and corresponding audit certificates are submitted by each member to the external service provider via an encrypted email;
- IKAA certified reporting data are based on the actual realised figures;
- IKAA certified reporting template follows the EC guideline, which suggests a timeline for the cost segments, from reporting to validation (we refer to Annex 1);
- IKAA certified reporting data for year N are collected by 30 April of the year N+1 by an external provider;
- The external provider upon collection of all available certificates issues a “System Certificate”, which:
 - summarises the overall accepted IKAA figures based on individual certificates;
 - describes its aggregated findings (if any) based on a review of all individual certificates (including listing and quantifying impact of any reservations);
 - provides comparison between plan and certified figures;
 - provides an overview and states the names of the members who contributed to the exercise for the given period;
 - lists the members who contributed to the IKAA exercise, but whose cumulative contributions did not meet EUR 325 000 certification threshold (and whose entries are not counted towards the official approved IKAA figure for that year);
- IKAA certified reporting data are communicated to the FCH 2 JU GB in the form of a letter from Hydrogen Europe & N.ERGHY (no formal adoption of the certified reporting data is foreseen);
- Only certified figures are accepted to be eligible for reporting to the FCH 2 GB and for the purpose of fulfillment of the Article 4.1. of the FCH 2 JU Regulation;
- Certifications received after the cut-off date or later during the year N+1 are taken into account for the following exercise;
- IKAA certified reporting data for the year N are published in the Annual Activity Report (AAR) of the FCH 2 JU in the year N+1;

Subsequently to the letter addressed to the FCH 2 JU GB, Hydrogen Europe & N.ERGHY prepare and publish a public version of the certified IKAA report for the year N, in an aggregated anonymised format, at the time of the adoption of the annual accounts of the FCH 2 JU.

To provide global picture, and acknowledge commitments of all members towards IKAA, the public version of the report presents overall IKAA figure, which entails certified figures together with amount of IKAA for the members who did not meet the certification threshold (and whose entries are not counted towards the official approved IKAA figure for that given period).

6. CONTROL AND VALIDATION MECHANISMS ON THE LEVEL OF IKAA

IKAA PLAN / IKAA PLAN Amendment - review

Preventive controls

The external provider responsible for maintenance of the secured tool for IKAA Plan submission developed embedded preventive controls to ensure that two distinctive risks in the IKAA Plan are minimized.

Therefore before the submission is completed, the members have to validate two times the following:

- There is no EU funding that appears in the total amount of the AA (EU funding can be part of the activity, but the amount of such EU funding is not eligible for IKAA)
- There is no FCH 2 JU funded project in the activities submitted (to prevent an incorrect interpretation of IKAA being non-funded part of the FCH 2 JU project, therefore counted as part of IKOP (In-kind in operational activities/ indirect actions)).

Detective controls

Before the IKAA plan is submitted for approval to FCH 2 JU Governing Board, FCH 2 JU established a review process consisting of series of verifications conducted by "IKAA task force", including representatives of Hydrogen Europe, N.ERGHY, FCH 2 JU Programme Office and the EC.

Review of the non-confidential part of the report (not all member names are disclosed) is performed by:

- Hydrogen Europe secretariat
- N.ERGHY secretariat

Review of the confidential part of the report (all member names are disclosed) is performed by:

- External service provider (an independent audit firm)
- FCH 2 JU Programme Office (Internal Control & Audit Manager)
- European Commission (DG RTD, FCH desk officer + DDG)

Verification steps

In the course of review of the IKAA Plan / IKAA Plan Amendment, the following standard minimum verification checks are performed simultaneously by all members of "IKAA taskforce"

Completeness checks

1. Submission rate and contact of individual members to ensure maximum number of members reporting the IKAA figures
2. Completeness check of data entries for each activity
3. Verification that all fields have valid entries

Validity checks

4. Verification that activity is performed outside the work plan of the FCH 2 Joint Undertaking contributing to the objectives of the FCH Joint Technology Initiative (Art. 4.2 (b) of the Council Regulation)
5. Verification of double entries
6. Verification that no EU funding is included in the activity (additionally to preventive control embedded in the tool)
7. Verification that an FCH project does not appear as IKAA (to prevent a potential double-counting with IKOP)
8. Verification that all entries represent a valid information; e.g. geographical location of the activity is clearly identified

Accuracy checks

9. Verification that a figure of the reporting period is reasonable (e.g. activity where the amount of the current year is the same as 2014-2024 value activity is flagged)
10. Verification that 2014-2024 value activity at least at the amount of a current year activity (in case no value is available for 2014-2014 total figure, the amount of the current reporting period is considered)
11. of correct categorization of activities below and above EUR 325k threshold
12. Verification of mathematical accuracy of the columns

Confidentiality checks

13. Verification that confidential data are not disclosed (i.e. member name in the activity description)

Timing of the review

First review of the IKAA plan for year N+1 is performed after the submissions of IKAA plan data in year N via secured tool managed by an external provider

Second review of the IKAA revised plan is performed in a similar way later in the year N+1, when the process foresees a possibility to update the Plan for new significant additions that occurred in the current year and that were not known at the time when the original Plan was developed.

Limitations of the review

IKAA taskforce and other actors in the Plan approval process, having a limited access to information (no direct access to accounting and supporting documents) are not able to verify that the following provisions of the Regulation (Article 4.4.) were fulfilled:

- *costs shall be determined in accordance with the usual cost 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;*

Such verifications are however subject to Terms of Reference of the audit Certificate on IKAA established by the FCH 2 JU and are performed by the independent auditors in the course of the audit of the reported figures.

In addition to the verification checks performed at the level of “IKAA taskforce”, further consistency and high-level checks are performed at the level of Hydrogen Europe & N.ERGHY Boards and at the level of FCH 2 JU Governing Board.

IKAA PLAN / IKAA PLAN Amendment – approval process

Once the review conducted by the IKAA taskforce is finalized, the PLAN is sent for an approval to Governing Boards of Hydrogen Europe and N.ERGHY and subsequently for the official approval of FCH 2 JU Governing Board
Adoption of the PLAN by the FCH 2 JU GB decision is foreseen by the end the calendar year (year N).

IKAA Plan – Amendment (OPTIONAL)

Adoption of the IKAA Plan Amendment by the FCH 2 JU GB for new significant additional activities should ensure that those activities are scrutinized in depth for eligibility conditions set out in the Regulation (especially to ensure that no FCH 2 JU project activities are reported as additional activities) and should follow the similar approval process, with adjusted timing by the end of the year N+1.

IKAA Preliminary reporting - review

Figures in the IKAA preliminary reporting are indicative (based on estimates) and are subject to change, however, when reporting on AA activities, a link to the IKAA Plan should be observed.

Preventive controls:

Members are required to list all activities as reported in the IKAA Plan in the IKAA preliminary report and to comment on the significant differences as compared to originally submitted figures.

Detective controls:

Before the IKAA Preliminary report is communicated to the FCH 2 JU GB, FCH 2 JU established a limited review process for the changes as compared to IKAA Plan (similar to IKAA Plan review) conducted by “IKAA taskforce”.

Timing of the review

Review of the IKAA Preliminary report is performed after the submission of the data to the external provider and before the official deadline for reporting (31 January of the following calendar year).

IKAA Preliminary reporting – approval process

Upon finalization of the review of the IKAA Preliminary report, the report is approved by the Governing Boards of the Hydrogen Europe and N.ERGHY and an official letter is prepared and sent for the FCH 2 JU GB information (no formal approval according to legal basis is foreseen).

IKAA Certified reporting - review

Article 4.4 of FCH 2 JU Regulation

The costs shall be certified by an independent external auditor appointed by the entity concerned. The valuation method may be verified by the FCH 2 Joint Undertaking should there be any uncertainty arising from the certification. For the purposes of this Regulation, the costs incurred in additional activities shall not be audited by the FCH 2 Joint Undertaking or any Union body.

As per the FCH 2 JU Regulation, no audit will be performed by the European Commission or the FCH 2 JU itself on IKAA information.

However FCH 2 JU established:

1. Assistance and support to the private members throughout the certification process, mainly via methodological and technical assistance from the external service provider (in order to ensure confidentiality);
2. Review process in line with the Regulation to ensure that reported (certified) IKAA numbers are reasonable.

Certification process (by the members)

Selection of the independent auditor

In order to avoid duplication of audit efforts, the choice of the independent external auditor should be in line with the most effective and efficient way, based on the discretion of the individual private member. The auditors (appointed by the member) should review whether reported IKAA figures were obtained using the same approach as IKAA planned figures (i.e. the amounts do not need to be identical, however, the same accounts, cost elements, analytical accounts, etc. should be considered).

When selecting an appropriate independent auditor, the member may choose between the following options:

- Statutory auditor same as certifying auditor;
 - Based on the audit of the accounts of the beneficiary; the auditor may rely (partially) on the work of other certifying auditors (e.g. national funds);
- Auditor other than statutory auditor (e.g. CFS auditor);
 - Based on the audit of other financial statements; i.e. national funding agency
- Internal Auditor/ Public Officer (for research organizations only).

Cost of the certificate is borne by members, i.e. costs of the certificate are not reimbursed by FCH 2 JU.

Review process (by “IKAA taskforce”)

Preventive controls:

Members are required to list all activities as reported in the IKAA Plan in the IKAA final report and to comment on the significant differences as compared to originally submitted figures (i.e. self-check for reasonability/ completeness/ validity).

Even though such comments for the differences are not in the scope of the audit, those members of the “IKAA taskforce” with access to confidential data are reviewing the comments for the consistency and for the reasonableness. In case of any doubts, the members are contacted to provide further explanations.

Detective controls

For confidential reasons, all audit certificates are sent by the members to the external service provider. The external service provider reviews all the certificates. For incomplete or overdue

certificates, individual bilateral process is in place to support the members to ensure completeness of the submissions according to agreed timeline.

Upon collection of all the certificates, those certificates where further questions arise, are discussed in the hierarchy of the external service provider and with the FCH 2 JU Programme Office (assigned person with a sufficient level of competence in audit area).

After the outstanding questions are concluded, the external service provider issues a “System Certificate” as described above.

NB: Certificates delivered after the validation cut-off date may be considered for the following year’s exercise.

IKAA Certified reporting - approval

Based on the “System Certificate” issued by an external service provider, Hydrogen Europe and N.ERGHY prepares a consolidated report on the Certified IKAA figures which is subject to approval at the level of Hydrogen Europe and N.ERGHY Boards.

After this validation, Certified IKAA report is communicated to FCH 2 JU Governing Board by 30/06/N+1 latest (together with the final FCH 2 JU accounts).

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ANNEXES

Annex 1: Reporting template & timeline (as per EC guidance)

Annex 2: Terms of Reference for certification purposes & template of the Certificate (as used for 2014/2015 certification)

Annex 3: Recommended model audit programme and sampling guidance (as used for 2014/2015 certification)

Annex - In-kind contributions in implementing additional activities templates

The present document is the result of a common approach for the planning, reporting and certification of in-kind contributions in implementing additional activities (IKAA) within the four Joint Undertakings, (FCH2, CleanSky2, BBI and SZR), which are entitled to reach the minimum IKAA as stated in their own Council Regulations.

Template for the Additional Activities Plan YEAR XXXX (AAP)

Legal Entity ¹	Activity	Contribution to the objectives	Estimated value public investment (M€)	Estimated private investment (M€)	Other EU funding received	Total investment 2014-2020 ² (M€)

¹ Name of the entity/company (or hidden name in case of Non-disclosure clause) implementing with the IKAA

² The total capital investment 2014-20 planned by members as additional activities (including expenditures of a capital nature, either in the case of assets under construction or of purchased assets)

Template for the Additional Activities Report YEAR XXXX (AAR)

Legal Entity	Activity	Contribution to the objectives	Estimated value private (M€)	Actual cost incurred ³ (M€)	Total investment up to date ⁴ (M€)	Comments (Explain the discrepancies)	Total investment 2014-2020 (M€)

Template for the Additional Activities Certification YEAR XXXX (AAC)

Legal Entity	Activity	Contribution to the objectives	Estimated value Private (M€)	Actual cost incurred (M€)	Total investment up to date (M€)	Total investment 2014-2020 (M€)	Comments

³ The actual expenditures incurred during the reported period by members as additional activities. Usually, for fixed assets, the standard accounting practice of private member is the depreciation cost of the period (e.g. P&L – Profit and Loss)

⁴ The total investments incurred to the date of the report (cumulative with the previous reported periods), including expenditures of a capital nature, either in the case of assets under construction or of purchased assets

In-kind contributions annual timeline

WHO?	WHEN?													
	N-1 and before	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	N+1 and after
JU ED				By 01/03 Provisional accounts			Transmission of information on certified costs + IK	By 01/07 Final accounts						
JU GB							Opinion on annual accounts							
JU members				By 30/04 Certification of costs (on the basis of which IK is calculated) + transmission to the JU			Costs incurred in on-going actions							
JU staff							Aggregation of information on certified costs + calculation of IK (at cut-off date)							
COM (BUDG)							Enter certified costs (on the basis of which IK is calculated) in the accounts of the JU as net assets							
COM (RTD)							Report on contributions to PPPs							
							30/06/2017 Interim evaluation of JUs							

⁵ Working Document to be attached to the Draft Budget presented to the budgetary authority

ANNEX 2



AA ToR and Audit
Certificate for 2014-2

ANNEX 3



AA_Recommended
Model Audit Program

TERMS OF REFERENCE FOR THE CERTIFICATION OF ADDITIONAL ACTIVITIES SUBMITTED UNDER THE FUEL CELL AND HYDROGEN 2 JOINT UNDERTAKING REGULATION

This document sets out the 'Terms of Reference (ToR)' under which the members of Hydrogen Europe and N.ERGHY agree to engage an independent auditor ('the Auditor') to produce an independent audit certificate ('the Certificate') concerning the in-kind additional activities (IKAA) submitted by the member and its affiliates¹ in the context of the Additional Activities Report as specified by Article 4 of the Council Regulation (EU) No 559/2014 establishing the Fuel Cells and Hydrogen Joint Undertaking (FCH 2 JU) ("the Regulation").

1. Subject of the engagement

The members of Hydrogen Europe and N.ERGHY must provide, together with their submission of Additional Activities for the purposes of the Additional Activities Report, an independent audit certificate, certifying the information provided in its submission, namely that:

- All the costs² relating to the declared Additional Activities have been actually incurred by the member and recorded in its accounts in accordance with the usual cost accounting practices of the entities concerned³, 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;
- They have been incurred during the period declared by the member;
- They are eligible to be qualified as Additional Activities in that they:
 - o Contribute to JTI objectives as it is part of IKAA plan approved by the GB
 - o Are outside of the work plan of the FCH 2 JU and therefore do not include FCH 2 JU funding
 - o Do not include any EU funding (if the activity was supported by EU funding other than the FCH 2 JU, the EU contribution was deducted)
- They are declared in accordance with the requirements of the Regulation;
- They are identifiable and verifiable and are backed up by original supporting documents.

This certificate must be produced between the date of the initial submission (January N+1) and at least 30 days prior to the date of the final Additional Activities Report due by April 30th each year (from 2016 onwards covering the initial period of July 2014 to December 2015, thereafter covering 12 month periods from January to December each year).

Each member must submit, together with IKAA, the following information:

¹ Members also have the option to issue separate audit certificates for affiliates. The onus will however be on the member to provide supporting documents that the legal entity is indeed an affiliate.

² Costs are those incurred by members in implementing additional activities outside the work plan of the FCH 2 Joint Undertaking contributing to the objectives of the Joint Technology Initiative. They may include i) all actual expenditures incurred during the reporting period by members in additional activities, including expenditures of a capital nature either in the case of assets under construction or of purchased assets in the reported period (in this case depreciation expenses should not be considered to avoid double counting). Alternatively, ii) they may include costs as reflected in P&L, including depreciation. For consistency, the member must use the same principle used in the IKAA Plan 2014-15.

³ The auditors' work is limited to check that the 'usual cost accounting practice' of the member (as declared by him) has indeed been used for the calculation of Additional Activities and that such practice is consistently applied by the entity for other projects and/or activities (i.e. no bias approach). It does NOT include any check on the reasonableness of the declared cost accounting policy. The formalization of such cost accounting practice is recommended to explain how (direct and indirect) costs are allocated to projects/activities/divisions. This will enable the auditors (1) to identify the referred cost accounting practice and (2) to check that such practice has been implemented in a consistent way by the member. Note however that the acceptance by the auditors of such practice for the purpose of valuing Additional Activities does not have any impact on the acceptance of such policy for other purposes (i.e. FP7, H2020 or other EU funding schemes).

- The Terms of Reference ('the ToR') to be signed by the member and the Auditor (this can be scanned and uploaded to the reporting platform);
- The Auditor's independent audit certificate to be issued on the Auditor's letterhead, dated, stamped and signed by the Auditor (or the competent Public Officer).

These documents can be scanned and will have to be uploaded through a secure platform to independent service provider. Originals may be requested in certain cases and must be kept by the member.

2. Responsibilities

The member:

- Must submit the Additional Activities information in compliance with the aforementioned Regulation.
- Must draw up the Additional Activities information according to the usual cost accounting practices of the member entity concerned, to the applicable accounting standards of the country where the member entity is established, and to the applicable International Accounting Standards and International Financial Reporting Standards. The member's accounting and bookkeeping system and the underlying accounts and records must support the information provided.
- Is responsible and liable for the accuracy of the Additional Activities information submitted;
- Is responsible for the completeness and accuracy of the supporting documentation provided to enable the Auditor to carry out due procedures to certify the Additional Activities information submitted.
- Must provide full access to the auditor of the member's staff and accounting as well as any other relevant records and documentation.

The Auditor:

- *[Option 1 by default: is qualified to carry out statutory audits of accounting documents in accordance with Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC or similar national regulations].*
- *[Option 2 if the member has an independent Public Officer: is a competent and independent Public Officer for which the relevant national authorities have established the legal capacity to audit the Beneficiary].*
- *[Option 3 if the member is an international organisation: is an [internal] [external] auditor in accordance with the internal financial regulations and procedures of the international organisation].*

The Auditor:

- must be independent from the member, in particular, it must not have been involved in preparing the Additional Activities information;
- must plan work so that the appropriate procedures can be carried out and the findings may be assessed;
- must adhere to the rules and regulations of funding bodies of respective activities in design, suitability and pertinence of the procedures to be performed to enable the issue of the Certificate;
- must adhere to the Certificate format;
- must carry out the engagement in accordance with this ToR;
- must document matters which are important to support the Certificate;
- must base its Certificate on the evidence gathered;
- must submit the Certificate to the member.

3. Applicable Standards

The Auditor must comply with these Terms of Reference and with:

- the International Standard on Related Services 4400 as issued by the International Federation of Accountants (IFAC)
- the *Code of Ethics for Professional Accountants* issued by the IFAC. Note that the Commission requires that the Auditor also complies with the Code's independence requirements.

4. Reporting

The Certificate must be written in English.

5. Timing

The Certificate must be provided by April 30th each year (from 2016 onwards covering the initial period of July 2014 to December 2015, thereafter covering 12 month periods from January to December each year).

6. Confidentiality of the information in the Certificate and attached Appendix

The independent service provider will be the custodian of all Certificates and will link the submitted information to the Certificates. A designated person in the European Commission and Programme Office will also have access to the certificates if required. This access will however be supported by a non-disclosure agreement between the FCH JU members and the designated person.

[legal name of the Auditor]
 [name & function of authorized representative]
 [dd Month yyyy]
 Signature of the Auditor

[legal name of the member]
 [name & function of authorized representative]
 [dd Month yyyy]
 Signature of the member

MODEL FOR THE CERTIFICATE OF ADDITIONAL ACTIVITIES

Full name of the member and affiliates of Hydrogen Europe or N. ERGHY	
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[legal name of the audit firm], established in *[full address/city/country]* represented for signature of this audit certificate by *[name and function of an authorised representative]*, hereby certify that:

- We have performed the agreed procedures relating to the Additional Activities information, as detailed in the attached Appendix, submitted by *[name of member]* and its affiliates⁴, hereinafter referred to as member;
- We confirm that our procedures were carried out in accordance with ISRS 4400 respecting ethical rules and on the basis of the additional activities information submitted by the member. The Additional Activities information submitted were examined and all tests of the supporting documentation and accounting records deemed necessary were carried out in order to conclude on the following:

All costs relating to the declared Additional Activities have been actually incurred by the member and recorded in its accounts in accordance with the usual cost 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;

They have been incurred during the period declared by the member;

The activities are eligible to be qualified as Additional Activities in that:

1. They contribute to JTI objectives in the sense that it is part of IKAA plan approved by the Governing Board
2. They are outside of the work plan of the FCH 2 JU
3. EU Funding, if any, has been deducted

They are identifiable and verifiable and are backed up by original supporting documents.

EXCEPTIONS

List here any exceptions and add any information on the cause and possible consequences of each exception, if known. If the exception is quantifiable, include the corresponding amount.

Signature and stamp of the auditor

⁴ Members also have the option to issue separate audit certificates for affiliates. The onus will however be on the member to provide supporting documents that the legal entity is indeed an affiliate.

APPENDIX TO THE AUDIT CERTIFICATE – TEMPLATE for the reporting on Additional Activities (AA)

Full name of the member and affiliates of HYDROGEN EUROPE or N. ERGHY					
Reference period: 09/07/2014 – 31/12/2015					
Activity	Correspondence to activity and its objectives as stated in the IKAA Plan	Amount planned as stated in IKKA Plan in EUR*	Total expenditure of the period as recognized in the accounts of the member in EUR (excluding other EU funding received**)	Difference between IKAA plan and actual report in EUR	Comments***
		(1)	(2)	(1) – (2)	
Total		XXXX €	XXXX €	XXXX €	

* This IKAA Report for the period 09/07/2014 – 31/12/2015 is based on and aligned with the IKAA 2014-2015 Plan approved by the Governing Board of FCH 2 JU on the 23rd of December 2015.

** Total value of the expenditure, including expenditures of a capital nature, either in the case of assets under construction or of purchased assets, i.e. P&L and Balance Sheet accounts (excluding disclosures in the notes to financial statements) in line with the approved plan. The Union funding – (i.e. H2020, FCH JU, and other EC funding) is excluded. The national, regional or municipal funding can be included as processed by organization

*** Differences of more than 10% of the planned value (only when exceeding de minimis EUR 50.000) need to be explained. Comments on the differences as provided by the entity. Auditor engagement did not constitute a review of these comments.

ADDITIONAL ACTIVITIES CERTIFICATION – RECOMMENDED MODEL AUDIT PROGRAMME

Criteria	Recommended procedure ¹	Comment
<p>All costs relating to the declared Additional Activities have been actually incurred by the member and recorded in its accounts in accordance with the usual cost 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 Standards².</p>	<p>Inquire with the appropriate person(s) within the entity's structure on the method how the total amount of AA as reported in Appendix can be traced back and reconciled to the accounts of the entity³.</p> <p>Evaluate if the method is reasonable and in line with the usual accounting practices of the entity.</p> <p>Obtain breakdown of the total amount of AA expenditures reported by the entity and reconcile it to the general ledger/ cost accounting.</p>	<p>If the method is not considered to be in line with usual (cost) accounting practices, report it in the exception section.</p> <p>Reconciling differences, if any, need to be explained⁴. Unexplained differences are considered to be ineligible.</p>
<p>All costs have been incurred during the period declared by the member.</p>	<p>Verify on the sample basis⁵ that the costs reported were recorded during the respective reporting period⁶.</p>	<p>Costs incurred outside the reporting period are not considered as eligible and are to be reported in the exception section.</p>
<p>The activities are eligible to be qualified as Additional Activities in that:</p> <ol style="list-style-type: none"> 1. They contribute to JTI objectives in the sense that it is part of AA plan approved by the Governing Board 	<p>Inquire with the appropriate person(s) within the entity's structure how the AA figures as approved in the IKAA plan were established, compare the method used with the approach of establishing reported AA figures.</p> <p>Obtain a breakdown of the AA figures per activity as submitted and approved by the Governing Board, reconcile the totals to the submitted estimated IKAA</p>	<p>If the method of establishing AA figures for the plan (i.e. valuation method) and for the actual reporting differs significantly, report it in the exception section.</p> <p>Reconciling differences to be reported.</p>

¹ Recommended procedures may be modified by the auditors in order to adapt plan and perform the verifications of declared Additional Activities (AA) taking into account specific environment and reporting of the entity in order to test the listed criteria

² See Council Regulation (EU) No 559/2014 of 6 May 2014 establishing the Fuel Cells and Hydrogen 2 Joint Undertaking; members and their affiliates need to report on Additional Activities by following the requirements of this Regulation, *referred mainly to Article 4*.

³ Entity is defined as a member or an affiliate of Hydrogen Europe or N.ERGHY

⁴ There might be cases where statutory and cost accounting methods are not identical; or the expenditures in the statutory accounts only partially fulfill (e.g. percentage of the use basis) the definition of the AA according to the Regulation. In such cases, explanations are required, and their reasonability needs to be evaluated by the auditors.

⁵ Size of a sample is determined based on the "Recommended sampling approach for the IKAA certification", see Annex 1

⁶ First reporting period: 9/7/2014 – 31/12/2015; Second reporting period: 1/1/2016 – 31/12/2016; subsequent reporting periods correspond to calendar year; last reporting period: ending on 31/12/2024

<p>2. They are outside of the work plan of the FCH 2 JU</p> <p>3. EU funding, if any, has been deducted</p>	<p>plan amounts.</p> <p>Evaluate a link between IKAA plan and actual declared AA figures⁷. (NB: there is no requirement to verify substance of activities – as these checks were already performed at the level of IKAA plan)</p> <p>Inquire on the method how the entity distinguish between FCH2 JU funding (e.g. project accounting is in place) and other funding. Verify that there are adequate controls in place that prevent double-counting.</p> <p>Verify if these additional activities have received other EU funding (other than FCH2 JU). If affirmative, verify that this amount has been correctly deducted from the AA amount.</p>	<p><u>In case there is no link between actual reported figures and the IKAA plan, consider them as ineligible.</u></p> <p>In case of lack of controls or no clear separation from the FCH2 JU can be done, report it in the exception section.</p> <p>Costs financed via FCH2 JU programme are not considered to be eligible under AA.</p>
<p>Costs are identifiable and verifiable and are backed up by original supporting documents;</p>	<p>Test on a sample basis⁸ whether sufficient and reliable evidence exist to support the costs declared.</p> <ul style="list-style-type: none"> • In case the certifying auditor is the statutory auditor of the entity⁹; audit evidence obtained during the course of statutory audit may be considered for this certification as replacing/ being complementary to the tests to be performed; • In case of the existing audit certificate provided by another certifying authority¹⁰ for the part / full amount of the costs reported under AA, consider reliance on the work of others; providing that other eligibility criteria listed above are met. 	<p>Costs lacking supporting evidence are considered to be ineligible and are to be reported in the exception section.</p>

⁷ As the estimated figures are always different from cost incurred; auditors should assess the consistency between scope of the costs when activity was planned and replace them with the same nature of costs once the activity was executed; e.g. some tasks may have taken more/less efforts than envisaged; post-calculated hourly rates may differ from pre-calculated ones; travel trips may have been substituted by telephone conferences, etc.

⁸ Size of a sample is determined based on the “Recommended sampling approach for the IKAA certification”, see Annex 1

⁹ Provided that the opinion on the statutory financial statements covers the identical reporting period

¹⁰ E.g. for the national funding

Annex 1: Recommended sampling approach for the IKAA certification

Total IKAA expenditure = sum of all Additional Activities (AA) declared in EUR

Population = individual Activity declared in the AA breakdown in EUR

Sampling item = one equipment in the breakdown, one person declared in the activity, or alternatively, one journal entry in the breakdown of the costs per activity

