

DECISION 16/2018

OF THE GOVERNING BOARD OF

THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY (EIT)

ON THE ASSESSMENT AND ADOPTION OF THE 2017 ANNUAL ACTIVITY REPORT OF THE AUTHORISING OFFICER OF THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY

THE GOVERNING BOARD OF THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY,

Having regard to 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,¹ (hereinafter referred to as the ‘EIT’), as amended by Regulation (EU) No 1292/2013 of the European Parliament and of the Council of 11 December 2013² (hereinafter referred to as the “EIT Regulation”), and in particular Section 2 (a) and Section 4 (3) (c) of the Statutes annexed to the EIT Regulation;

Having regard to Commission Delegated Regulation (EU) No 1271/2013 of 30 September 2013 on the framework financial regulation for the bodies referred to in Article 208 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council³, and in particular Article 47(1) thereof;

Having regard to the Decision of the Governing Board of the EIT of 27 December 2013 on adopting the Financial Regulation for the European Institute of Innovation and Technology,⁴ as amended by Decision 6/2015 of the Governing Board of the EIT of 5 March 2015⁵ (hereinafter referred to as the “EIT Financial Regulation”), and in particular Article 47(1) thereof;

Having regard to the Annual Activity Report of the Authorising Officer in respect of the year 2017;

WHEREAS

- (1) The authorising officer shall report to the Governing Board on the performance of his duties in a form of a consolidated annual activity report pursuant to Article 47 of the EIT Financial Regulation;
- (2) The consolidated annual activity report shall be submitted to the Governing Board for the assessment pursuant to Article 47 of the EIT Financial Regulation;
- (3) The Governing Board shall adopt the annual activity report of the European Institute of Innovation and Technology based on the draft presented by the Director pursuant to Section 2 of the Statutes annexed to the EIT Regulation ;

¹ OJ L97 of 09.04.2008, p. 1.

² OJ L347 of 20.12.2013, p. 174.

³ OJ L328 of 07.12.2013, p. 42.

⁴ 01364.EIT.2014.I.

⁵ 00101.EIT.2015.I.GB34.

- (4) “No later than 1 July each year the consolidated annual activity report together with its assessment shall be sent by the governing board to the Court of Auditors, to the Commission, to the European Parliament and the Council” - pursuant to Article 47 of the EIT Financial Regulation;
- (5) On its 38th Governing Board meeting of 3 December 2015, the EIT Governing Board welcomed the suggestion from the Audit Committee to give its opinion on the draft Annual Activity Report prepared by the Director before its assessment by the EIT Governing Board.
- (6) The EIT Audit Committee expressed its positive opinion on the draft Annual Activity Report prepared by the Director and supports the adoption of the Governing Board’s Assessment of the Annual Activity Report 2017 as well as the adoption of the Annual Activity Report 2017.

HAS DECIDED AS FOLLOWS:

Article 1

Assessment of the Annual Activity Report 2017

The EIT Governing Board:

1. Is deeply concerned that the declaration of assurance of the Interim Director raises serious concerns related to the restrictions imposed on the EIT’s staffing capacity which may significantly affect the assurance that can be given to the legality and regularity of future grant payments and the EIT’s ability to achieve its strategic objectives set out in its Strategic Innovation Agenda for 2014-2020.
2. Is strongly concerned that the number of posts made available to the EIT by the EU institutions has not followed the significant growth of budget and activities.
3. Is concerned that EIT was not able to fully implement its work programme as some activities encountered delays.
4. Calls on the Commission to consider to further increase the staff allocated to the EIT.
5. Calls on the Commission to ensure that the EIT is enabled to offer permanent contracts to its staff as a matter of priority given that several staff contracts will otherwise terminate and the EIT will lose key staff that has worked for the Institute since its inception.
6. Notes that the EIT is fully autonomous since 1 January 2018.
7. Welcomes the results presented in the Annual Activity Report of the Authorising Officer (the ‘AAR’) and appreciates the presentation of all the underlying building blocks that underpin that declaration. Expresses its satisfaction and appreciation of the high level of commitment and the increasing quality and efficiency of work of the EIT’s staff and management.
8. Notes that the European Parliament granted discharge to the EIT in respect of the 2016 financial year, which confirms the positive trend in the EIT’s management and control systems. Notes with concern that the selection of the EIT Director has not been finalised. It calls on the Commission to finalise this process as a matter of urgency.
9. Notes that the detected error rate during ex-post verification of 2016 grants was 0.98 % and the residual error rate is 0.95 %, which is well below the materiality level of 2 %.
10. Calls on EIT management to ensure implementation of outstanding audit recommendations.
11. Notes the positive results of the independent midterm evaluation of the EIT led by the European Commission which was a condition to launch the call for KIC proposals in the theme of Urban Mobility in 2018.

12. Appreciates the fact that throughout 2017, the EIT Interim Director kept the Governing Board fully informed of the EIT's activities and progress by way of regular Governing Board meetings, facilitated by a structured agenda and regular activity reports.
13. Confirms that the EIT Governing Board's analysis and assessment of the AAR 2017 is positive and that the AAR 2017 provides it with the necessary assurance for a positive assessment of the results achieved in 2017.

Article 2
Adoption of the Annual Activity Report

Based on the assessment of the Governing Board, as set out in Article 1 of this decision, the Annual Activity Report 2017 by the EIT Interim Director is adopted as set out in Annex 1 to this decision.

Article 3
Publication

The Annual Activity Report shall be sent by the Chairman on behalf of the Governing Board to the European Court of Auditors, to the Commission, to the European Parliament and the Council and shall be published on the website of the European Institute of Innovation and Technology.

Article 4
Enter into force

This decision shall enter into force on the day of its signature.

Done in Budapest on 29 June 2018⁶

Signed

Peter Olesen

Chairman of the EIT Governing Board

Annex 1: Annual Activity Report 2017

⁶ *Approved by written procedure of the EIT Governing Board on 29 June 2018*

Consolidated Annual Activity Report

Financial year: 2017

The EIT – Making Innovation Happen

European Institute of Innovation and Technology (EIT)

Budapest | 29 June 2018

www.eit.europa.eu



The EIT is a body of the European Union

Foreword from the EIT Interim Director

The Year in Brief

2017 was a turning point for the EIT. With an increasing number of results and success stories from its activities, which were confirmed by multiple external evaluations and studies the achievements of the EIT and its Innovation Communities became more widely recognised. This proves that the EIT is now living up to expectations set when it was designed 10 years and that the EIT has transformed the European innovation landscape, its EIT innovation model is working and delivering impact across Europe on the societal challenges addressed by it. The EIT has established a network of trust of more than 1000 partners across Europe, making it one of the largest networked innovation communities in the world; the accelerator programmes are recognised to rank among the best in the world in their field, with EIT Digital's Accelerator ranked on the 8th place among 579 accelerator programmes in Gust's Global Accelerator Report 2016; venture capitalists invested over 600 million euros in EIT Accelerator companies; and, as of 2016, the EIT Community has created, nurtured and supported start-ups that have created an estimated additional 6,100 jobs. Another prime indicator for the emerging success of the EIT was the Forbes magazine that had chosen 18 EIT Community members in their annual 'Forbes 30 under 30' list, featuring the best young innovators, entrepreneurs and game changers from Europe. The number of EIT Community members included on the 'Forbes 30 under 30' list more than tripled compared 2016. Furthermore, in March 2017, the European Commission announced the winners of its annual Prize for Women Innovators, where CEO and co-founder of EIT Digital-supported BLITAB Technology won the Rising Innovator category, recognising the best women entrepreneurs under 30 in Europe.

Seeing the emerging successes from KICs, the decision of the EIT Governing Board for the financial allocation for the year 2018 had even more importance than ever, also considering that the Governing Board allocated EIT grants to six Innovation Communities for the first time in November 2017 with a record allocation of EUR 400 million. The fact that the European Commission granted the financial autonomy to the EIT in 2017 was a direct consequence of the increasing maturity and reliability of the EIT. Substantial highlights of the year, such as opening of the EIT House in Brussels, INNOVEIT 2017 and the EIT Awards 2017, publication of the EIT mid-term evaluation report by the European Commission, finalisation of the EIT Impact Study, decision on re-launching the call for a new Innovation Community in the thematic field of added-value-manufacturing, the European Court of Auditors' clean audit opinion on EIT all marked great moments of the EIT in 2017 and resulted in a highly successful year in the history of the EIT.

The above highlights have helped to increase the EIT's visibility among stakeholders and led to stronger engagement with key representatives from the stakeholders from EU institutions, businesses, research institutions and universities. The EIT mid-term evaluation and release of the EIT Impact Study have shown that the EIT has moved from strong potential to actual delivery of results and impact, which, as a result of reinforced communication efforts led to enhanced visibility, awareness and understanding among major stakeholders such as the European Commission, MEPs and representatives of EU Member States.

In line with the recommendations of the mid-term evaluation, the EIT will continue to increase its communications and stakeholder relations activities in order to raise awareness and knowledge about the EIT and its results. Likewise, the EIT will continue to streamline its innovation model and disseminate good practices and results.

Building on its strong basis and the recommendations received, the EIT also laid out its vision and ambition for the future in its draft EIT's Draft Strategic Innovation Agenda (SIA) for 2021-2027. The EIT's positioning and resourcing in the future EU innovation landscape will determine whether the EIT will be provided with the mandate and means to achieve this vision and deliver an even higher impact on the global challenges which it addresses. The EIT had been

working closely with all relevant stakeholders to ensure that the EIT's future ambition and strategy matches the needs of Europe and submitted its Draft SIA 2021-2027 to the European Commission in December 2017.

The success of the year 2017 could not have happened without a growing coherence and cooperation among the EIT community. The increasing amount of initiatives that reach across different Innovation Communities are the best evidence of this. It is exciting to see how EIT supported entrepreneurs and EIT alumni which gone through EIT education programmes are turning their ideas into products and services that transform their sectors and help us to solve societal challenges. Thanks to the support by the EIT's Governing Board, commitment of EIT staff and dedication of all innovators in the Innovation Communities, we can be proud that together we have created Europe's largest innovation ecosystem.

Martin Kern

Interim Director of the European Institute of Innovation and Technology

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INTRODUCTION

This consolidated annual activity report provides an overview of the activities and achievements of the European Institute of Innovation and Technology (EIT) in 2017 and has been established based on the guidelines of the EU Agencies Performance Development Network.

The EIT's Annual Activity Report 2017 is a report of the EIT Interim Director. It is a key component of the strategic planning and programming cycle: it is the basis on which the EIT Interim Director takes its responsibility for the management of resources and the achievement of objectives. It also allows the EIT Interim Director to decide on the necessary measures to address any potential management and control weaknesses identified. It is in compliance with Article 47 of the EIT Financial Regulation.

The Annual Activity Report 2017 comprises four main parts and annexes as follows.

Part I: Achievements of the financial year 2017. Mirroring the structure of the Annual Work Programme of the EIT for the year of 2016, Part I provides information on achievements of objectives set in the annual work programme. This section also includes references to progress against Key Performance Indicators (KPIs) and targets.

Part II: Management. This section provides information on the functioning of the EIT Governing Board. It also includes major internal and external developments which had an impact on the EIT during the reporting year as well as information on budgetary and financial management, Human Resources management, assessment by the EIT management and also assessment of audit results during 2016, along with the follow-up of recommendations and action plans resulting from audits. It also includes components on the follow-up of observations from the Discharge authority.

Part III: Assessment of the effectiveness of the internal control systems. The report details in Part III the most important areas of risks associated with the EIT's operation as well as compliance with and effectiveness of the Internal Control Standards.

Part IV: Management assurance. The report concludes in Part IV with a declaration of assurance in which the EIT Interim Director, in his role as Authorising Officer, takes responsibility for the legality and regularity of all financial transactions.

In the annexes, the report provides statistics and information on the EIT core KPIs, financial management, organisational chart, establishment plan, Human and Financial resources used by activity, the EIT's final annual accounts and further specific annexes related to Part II and Part III of the report.

The EIT Annual Activity Report is a public document and is available on the EIT website.

The EIT in brief

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 European Union. It does this by promoting and integrating higher education, research and innovation. The EIT achieves its mission by fully integrating all three sides of the 'knowledge triangle', i.e. higher education, research and business, in Knowledge and Innovation Communities (KICs). By bringing together organisations from these dimensions to cooperate in the KICs, the EIT is able to promote innovation in Europe. Underlying all of the EIT's activities is the aim of encouraging and facilitating approaches favourable to entrepreneurship-driven innovation being able to turn major societal challenges into future economic opportunities to create economic growth and skilled jobs. The EIT contributes to Europe 2020, the 'Innovation Union', Horizon 2020 and the European Commission's objectives by integrating the 'knowledge triangle'. This integration takes place primarily in the Knowledge and Innovation Communities (KICs) that bring together excellent organisations to tackle societal challenges on a long-term basis. Based on existing European excellence, the KICs continue to build upon and create new ecosystems tackling the fragmentation and duplication of efforts across borders to generate critical mass, enhance and strengthen collaboration, optimise the use of human, financial and physical resources, and attract talented individuals from all over the world.

To date, the EIT has established a total of six KICs:

- EIT Climate-KIC, EIT Digital and EIT InnoEnergy were designated in 2010 and are fully operational and deliver outputs and results as measured by the EIT's core KPIs.
- EIT Health and EIT Raw Materials were designated in December 2014 and completed their second full year of operations in 2017 with first tangible results emerging.
- EIT Food was selected and designated by the EIT Governing Board in November 2016 and completed its start-up phase in 2017.

Executive Summary

Highlights of the year

The release of the EIT mid-term evaluation and the EIT Impact Study showed in 2017 that the EIT has moved from strong potential to actual delivery of results and impact. The mid-term evaluation confirmed that the EIT is the **only EU body that fully integrates** business, research and education and that this integration is crucial to effectively boost innovation in a pan-European way. The **EIT Community delivers** ground-breaking results, has supported hundreds of start-ups across Europe, enabling growth and innovation, and this will lead to important societal impact through job creation and an economic boost. A prime indicator for the emerging success of the EIT was Forbes choosing 18 EIT Community members in their annual 'Forbes 30 under 30' list, featuring the best young innovators, entrepreneurs and game changers from Europe.



EIT Climate-KIC Naked Energy

Naked Energy, redefining solar energy power with a patented hybrid solar panel, were recognised in the 2017 Global Cleantech '100 Ones to Watch' list.

Naked Energy worked with Sainsbury to help them achieve their sustainability goals, and were part of the EIT Climate-KIC accelerator.

The main conclusions of the mid-term evaluation report are:

- The EIT is the **only EU body that fully integrates** business, research and education and that this integration is crucial to effectively boost innovation in a pan-European way.
- The EIT **has the potential to be a thought leader** and a source of knowledge and good practice for policy makers and the broader European innovation community.
- The **EIT Community delivers** ground-breaking results, has supported hundreds of start-ups across Europe, enabling growth and innovation, and this will lead to important societal impact through job creation and an economic boost.
- The EIT's existing Innovation Communities **bring innovative solutions to key challenges** in the areas of climate, digitalisation, energy, food, health and raw materials.

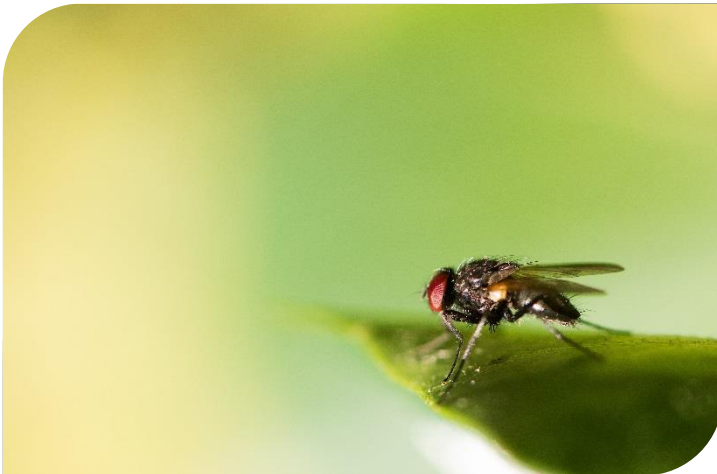


EIT Digital Konux

Konux, who offer an industrial IoT solution to optimize maintenance planning, are a true success story for the EIT Community. In 2017, they raised USD 16 Million in Series A funding and were listed in the 2017 Forbes 30 under 30 list.

Konux won the 2014 EIT Digital Idea Challenge and were nominated for the 2016 EIT Awards.

We finalised our **impact analysis** and published the resultant Impact Study in November 2017 (<https://eit.europa.eu/newsroom/study-says-eit-delivers-impact>). The analysis concludes that the EIT and KICs **established one of the largest networked innovation communities in the world**; between 2012 and 2014, the number of incubated business ideas more than quadrupled; the accelerator programmes are recognised to rank among the best in the world in their field, with EIT Digital's Accelerator ranked on the 8th place among 579 accelerator programmes in Gust's Global Accelerator Report 2016; venture capitalists invested over 600 million euros in EIT Accelerator companies; and as of 2016, the EIT Community has created, nurtured and supported start-ups that have created an estimated additional 6,100 jobs (FTE).



EIT Food Protix

Protix, who convert end-of-life waste into valuable nutrients for animals and humans, made headlines in 2017 when they raised USD 50 million in funding, the largest investment in insect farming to-date.

Also in 2017, Protix began to build an industrial plant to produce black soldier flies for animal nutrition.

Demonstrating both the attractiveness and the openness of the EIT Community, the number of participations in the first five Innovation Communities (EIT Climate-KIC, EIT Digital, EIT InnoEnergy, EIT Health and EIT InnoEnergy) increased to 1,271 by the end of 2017 (an increase of 179 compared to 2016) and this is without counting the 50 Partners that set up EIT Food, which successfully completed its Start-up Year in 2017.



EIT Health
Peptomyc

Peptomyc, who focus on the development of cell-penetrating peptides targeting the Myconcoprotein for cancer treatment, did exceptionally well in 2017; they raised EUR 4.2 Million in Series A funding and were selected by L’Economic as a potential Catalan *unicorn*, a potential high-value start-up.

Peptomyc also won the third Startup Slam at BIO-Europe Spring in March 2017, and the 2017 EIT Health Headstart.

The EIT Governing Board **allocated a total EIT financial contribution of EUR 400 million** for the implementation of KICs’ Business Plans 2018, the highest ever in the history of the EIT. As a result of successful simplification efforts and a revised control strategy including centralised contracting of audit companies providing audit certificates on grants, the EIT not only **reduced the average Time-To-Grant** (154 days for the 2017 grant agreements) but also kept the residual error rate remarkably low (0.95% for the 2016 grant agreements, for which the ex-post audits have already been carried out).



EIT InnoEnergy
Glowee

Glowee’s founder, Sandra Rey, was listed in the 2017 Forbes 30 under 30 and nominated for the 2017 EU Women Innovators Prize. Glowee was also a finalist in the 2017 Postcode Lottery Green Challenge and received EUR 100 000. The idea for Glowee, which is developing a biological source of light using the bioluminescent properties of marine micro-organisms, came to her when watching a nature programme about deep-sea bioluminescent creatures. By enabling

bacteria to make light, Sandra and the team at Glowee have provided a living raw material which creates light entirely self-sufficiently. Glowee is an EIT InnoEnergy Highway alumni.

The EIT prepared during 2017 for the launch of the **2018 Call for KIC Proposals in the thematic areas of Added-value Manufacturing and Urban Mobility**. The Call was launched on 12 January 2018 and will result in further growth of the EIT Community by the end of 2018.



EIT RawMaterials Purified Metal Company

Purified Metal Company, a 2017 EIT Awards nominee, recently signed an agreement to build a facility in Delfzijl, The Netherlands, to recycle contaminated steel scrap into high-quality raw material for the steel industry.

EIT RawMaterials is a key supporter and sponsor of Purified Metal Company.

Throughout 2017, the EIT worked on developing its future strategy for the post-2020 period and **submitted its ambitious Draft Strategic Innovation Agenda 2021-2027 to the Commission** in December 2017.

We have **expanded the activities of the EIT Regional Innovation Scheme** and entities from 18 EIT RIS countries have been involved in EIT RIS activities in 2017: Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Italy, Slovakia, Slovenia, Serbia and Turkey.

The EIT **organised a successful INNOVEIT 2017** that gathered more than 500 participants, including entrepreneurs, EIT students and alumni, EU, national and regional policy-makers, representatives of the EIT's Innovation Communities, higher education and research institutions, journalists as well as EIT Governing Board Members and staff. Participants and speakers included Commissioner Navracsics and several MEPs. We showcased, promoted, and celebrated innovations, successful entrepreneurs, and emerging ventures from the EIT Innovation Communities. Through the **stakeholder consultation forum** and a dedicated session of the **EIT Member States configuration** we gained essential input for the future EIT strategy. During INNOVEIT, the 20 nominees for the **EIT Awards** showcased their innovations and achievements, and winners for the following categories were announced: EIT Change, EIT Innovators, EIT Venture and the EIT Audience Award.

The **EIT Alumni CONNECT 2017** brought together more than 100 students and Alumni from the EIT Community and had two primary themes: Entrepreneurship and Community Building. In a **Co-creation session** 14 remarkably well developed projects were presented to a jury, which selected 3 winning projects to be implemented in cooperation with the EIT Alumni in 2018

During 2017, the EIT continued to directly engage with its institutional stakeholders, including the European Parliament, European Commission services and EU Member States as well as other key stakeholders from across the Knowledge Triangle in a structured, targeted and tailored manner. In total, the EIT representatives contributed or participated in 112 events organised by its stakeholders in 2017

The **inauguration of the EIT House in Brussels**, a shared working space and a place for showcasing the results of the EIT Community, took place on 26 September 2017. Since its opening, the EIT House has become an active place for showcasing the work of the EIT Community. More than 60 events have taken place at the EIT House involving an overall number of participants higher than 1200.

The EIT has implemented the actions to address the recommendations of the European Court of Auditors released in its Special Report on EIT in 2016, thereby reducing complexity, simplifying operations and increasing the focus on results and impact.

Finally, following a detailed assessment of internal controls applied by the EIT, the European Commission granted the EIT full financial autonomy in December 2017.

Due to a structural shortage of human resources and the increase in tasks, a few activities will be completed with a delay in 2018 as follows: development of the EIT Impact Framework; further enhancement of a web based tool to provide a platform for knowledge sharing and networking around the EIT; second trial of a stakeholder management tool; finalisation of the 7-year review of the first-wave KICs; introduction of some new IT tools; finalisation of certain procurement procedures and the implementation of several audit recommendations.

Key conclusions on the effectiveness of the internal control system and resources management

The EIT adopted a set of internal control standards, based on international good practice, that aim to ensure the achievement of strategic and operational objectives.

In accordance with the EIT's governance statement, EIT staff conducted its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

The EIT also put in place an organisational structure that is suited to the achievement of its objectives in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

In 2017, the EIT focused on compliance with the standards that were identified as areas of concern during the risk assessment exercise, as well as on the recommendations raised by the auditing bodies. During 2017, the EIT achieved compliance with the internal control standards, which was demonstrated by the European Commission granting the EIT full financial autonomy in December 2017.

PART I

ACHIEVEMENTS OF THE YEAR

1.1 Incentivising Growth, Impact and Sustainability through the EIT

1.1.1 Consolidating, Fostering Growth and Impact of the KICs

1.1.1.1 Promoting Collaboration and Competition among KICs

Business Plan assessment and grant allocation for 2018

By its Decision No 9/2017, the EIT Governing Board defined the principles for the 2018 EIT grant allocation, including three main funds earmarked for implementing (1) the EIT Regional Innovation Scheme (EIT RIS), (2) the EIT Cross-KIC scheme and (3) the KICs' portfolio of activities as outlined in the KICs' 2018 Business Plans. For the latter – EIT KIC Fund – the Decision also indicated the distribution among the three waves of KICs as well as the split between support and competitive funding within each wave.

In April 2017, the EIT invited the six KICs to submit their Business Plans for 2018 and issued updated guidelines for the business plans preparation. With regard to the competitive funding allocation, the 2018 process remained to be based on a two-pillar evaluation structure, giving equal weights to Pillar I (past performance) and Pillar II (Business Plan and progress towards multi-annual strategy).

All six KICs submitted their Business Plans in September 2017 which were evaluated by the EIT with assistance of external experts. The remote and consolidated evaluation period lasted from mid-September to end-October at which point the KICs were informed about the results.

In parallel, representatives of the EIT Governing Board – GB Rapporteurs – met with the KICs' high level representatives with the main objective to assess how the KICs had addressed the EIT Governing Board's strategic recommendations issued in December 2016. In preparation for Hearings with the KICs, which is the final step in the EIT grant allocation process, the GB Rapporteurs analysed the KICs' strategies and multi-annual progress towards achieving their strategic objectives. The following the key strengths and weaknesses from strategic and multi-annual perspective considering the KIC's the years (2010-2017 for EIT Climate-KIC, EIT Digital and EIT InnoEnergy and 2016-2017 for EIT Health and EIT RawMaterials; EIT Food's assessment reflect its start-up year 2017):

EIT Climate-KIC showed overall average progress in strategy and impact area with the key strength placed on the implementation of the EIT Regional Innovation Scheme. The key weaknesses remains a non-effective management structure with frequent turnover in the Executive Team. Improvements are needed in the implementation of the financial sustainability strategy as revenue targets have not been met. The planned new strategic agenda including theory of change as well as the work of the new management team is promising and will be closely followed by EIT and GB.

EIT InnoEnergy's progress in strategy and impact is convincing with room for improvement especially related to the rather low EIT Core KPIs figures in the innovation and entrepreneurship pillars. The management team seems effective and stable; however, improvement is needed on gender balance and the compliance with one of the good governance principle needs to be closely followed. Financial sustainability is the KIC's strong area with a promising Impact (investment) Fund under development.

EIT Digital's progressed in the strategy and impact area but left room to improve its strategic framework to include theme-specific impact indicators. EIT Digital remained continuously strong in its governance and management although its gender balance policy and co-branding need to receive a higher priority. A comprehensive approach on financial sustainability is embedded in the KIC's strategy although more revenues should be generated in the future, in particular from its innovation activities.

EIT Health's strategic framework is structured and comprehensive with improvements needed in terms of quantifiable impact indicators. The governance and management seemed efficient, stable and effective although changes happened later the year and will be closely followed by EIT and GB. The KIC should also strengthen its relations between the central management and Co-location Centres. The financial sustainability strategy is credible and the KIC has already generated substantial income from membership fees.

EIT RawMaterials' strategic framework is comprehensive and adequate; however, the KIC should consolidate its portfolio in terms of a number and size of activities in order to create an impact in the future. The KIC's governance is strong with pro-active management, although the progress on management control systems remains a weakness. The financial sustainability strategy is credible.

EIT Food's strategic approach seems comprehensive and adequate, proactively engaging its key stakeholders. The balance and expansion of the partnership when implementing the EIT Food's portfolio will be monitored by EIT as the involvement of all key stakeholders in the partnership is yet to be fully proven (e.g. SMEs and consumer organisations). The financial sustainability strategy is already in place with some highly innovative elements, e.g. setting up an investment fund from the start.

The Hearings with the KICs were held on 22 November 2017. The Hearings followed the successful format from the previous year with a longer interactive Q&A session, allowing an in-depth discussion with the KIC representatives and thus providing the EIT Governing Board with information for their decision-making. As a result of the grant allocation process, the EIT Governing Board decided on the maximum financial contribution to the KICs (Decision No 25/2017).

The following amounts were allocated by the EIT GB to the first wave of KICs for 2018, including the EIT financial contribution earmarked for the implementation of EIT RIS activities:

- **EUR 87,040,605** to EIT Digital
- **EUR 87,158,804** to EIT InnoEnergy
- **EUR 83,100,547** to EIT Climate-KIC

For the second wave of KICs, the maximum grant allocation for 2018 was:

- **EUR 57,368,390** to EIT Health
- **EUR 54,820,592** to EIT RawMaterials

For the third-wave KIC, the maximum grant allocation for 2018 was:

- **EUR 26,615,062** to EIT Food

In addition, the following amounts were earmarked for the implementation of the cross-KIC activities in 2018:

- EIT House led by EIT Digital: EUR 746,000;
- Cross-KIC EIT RIS led by EIT Health: EUR 800,000;
- Cross-KIC Human Capital led by EIT InnoEnergy: EUR 1,200,000;
- Joint call for Cross-KIC projects led by EIT Climate-KIC: EUR 750,000;
- Common Outreach beyond Europe and CLC consolidation led by EIT Climate-KIC: EUR 400,000.

Therefore, the total EIT financial contribution for the implementation of KICs' Business Plans 2018 amounted to EUR 400,000,000. As every year, the EIT Governing Board also issued strategic recommendations to each of the six KICs in order to further improve in key areas.

Furthermore, the GB also highlighted the following issues of key importance for the EIT community to move jointly forward to pursue the EIT mission and drive an ambitious agenda for European innovation through implementation of the knowledge triangle (business, education and innovation driven research):

- Continue to focus on bringing new solutions to global societal challenges to the market;
- Define, measure and monitor strategic objectives and impact in specific, clear and consistent manner;
- Accelerate the implementation of financial sustainability measures;
- Actively communicate results and joint messages of the EIT Community;
- Expand the cross-KIC cooperation to enhance impact and join forces where KICs are present in the same location;
- Pursue a common outreach agenda in EIT RIS countries and beyond, and effectively use EIT RIS to support excellence and disseminate results across Europe;
- Follow good governance principles, maintain accountable, effective and efficient management and control systems and take further steps to maximise transparency, openness, diversity and simplification.

Report assessment and verification of Grant Agreements 2016

Ex-ante assessment and payments

Between April and August 2017, the EIT carried out the ex-ante verification of KIC Reports on the execution of the 2016 Business Plans. The assessment encompassed different operational and financial elements such as completeness and consistency check, performance assessment including KPIs, as well as verification of cost eligibility. External experts supported the EIT in particular concerning performance assessment. The financial assessment was largely based on Certificates of Financial Statements obtained from two independent audit firms contracted by the EIT. At the final stage of the process, a resolution meeting was organised between the EIT and each of the KICs to conclude on the last outstanding issues in an efficient and timely manner. The ex-ante verification methodology and modalities were strengthened compared to previous years and the outcome of the assessment was thoroughly documented for each KIC in the EIT assessment report and its annexes.

The validated core KPIs for 2016 per first-wave KIC are as follows:

EIT Core KPI	EIT Climate-KIC	EIT Digital	EIT InnoEnergy
Attractiveness of the EIT Labelled education programmes	Ratio: 3.11 500 applications for 161 seats	Ratio: 2.14 1240 applications for 580 seats	Ratio: 6.25 1732 applications for 277 seats
Number of graduates (EIT Labelled degrees)	90	158	155
Business ideas incubated	363	221	93
Start-ups/Spin-offs created	36	12	22
Knowledge Transfer / Adoption	55 transfer + 89 adoption	85 transfer + 101 adoption	4 transfer + 45 adoption
New or Improved Products/Services/Processes	69 new + 20 improved	36 new + 41 improved	14 new + 8 improved

The validated core KPIs for 2016 for the second-wave KICs are as follows:

Core KPI	EIT Health	EIT Raw Materials
Attractiveness of the EIT Labelled education programmes	Ratio: 0.00	Ratio: 6.87 261 applications for 38 seats
Number of graduates (EIT Labelled degrees)	0	0
Business ideas incubated	125	11
Start-ups/Spin-offs created	1	0
Knowledge Transfer / Adoption	13 transfer + 12 adoption	15 transfer + 35 adoption
New or Improved Products/Services/Processes	0 new + 13 improved	2 new + 3 improved

The final grant absorption (in MEUR), absorption rate (%), error rate (%) and reimbursement rate (%) per KIC for the 2016 Specific Grant Agreements is as follows:

KIC	EIT Climate-KIC	EIT Digital	EIT InnoEnergy	EIT Health	EIT Raw Materials	Total
Grant allocated by the EIT GB in December 2015 (MEUR)	81.1	75.1	77.5	20.7	20.5	274.9
Grant payment requested on 31 March 2017 (MEUR)	70.3	64.6	71.6	20.1	17.9	244.5
Grant approved and paid by EIT (MEUR)	70.0	64.6	71.6	18.9	16.8	241.9
Difference between awarded and paid (MEUR)	11.1	10.5	5.9	1.8	3.7	33.0
Absorption rate (%)	86.3%	86.0%	92.4%	91.2%	82.0%	88.0%

Ex-ante error rate in grant (%)	0.5%	0.0%	0.0%	5.9%	6.0%	1.1%
Reimbursement rate of eligible costs (%)	90.0%	74.3%	86.1%	61.9%	77.5%	80.7%

The ex-ante verification was completed and the final balance paid to all KICs in August and September 2017. Only one KIC submitted officially a disagreement with the EIT's final conclusions, which after assessment by the EIT, was rejected at the beginning of 2018.

The results of the ex-ante verification in relation to the 2016 grants were taken into account in the allocation of the 2018 grants as part of the past performance pillar.

Result of ex-post audits

Ex-post audits of cost reports related to Specific Grant Agreements 2016 were performed by an external service provider on the basis of the Framework Contract of the European Commission. In accordance with the audit programme developed by the EIT based on H2020 standards, 27 KIC Partners (8 for EIT Climate-KIC, 8 for EIT Digital, 6 for EIT InnoEnergy, 3 for EIT Health and 2 for EIT Raw Materials) were selected for ex-post audits. In order to ensure representativeness, the KIC partners in the sample were selected by applying monetary unit sampling (MUS) method. At the second stage, for each partner 6 cost items was selected for testing again by MUS, which was extended to a larger sample in case of those KIC partners who did not have to submit Certificates of Financial Statements as part of the ex-ante verification. The sampling was done in collaboration with the European Court of Auditors, as the Court relies mostly on the results of ex-post audits when drawing its opinion on the legality and regularity of grant implementation by the EIT.

The ex-post audit process was completed in May 2018. The audited grant covered 8.6% of the total grant paid for the Grant Agreements 2016. As a result of the ex-post audits, the detected error rate equals to 0.98%.

The detected ex-post error rates in grants per KIC are as follows:

KIC	EIT Climate-KIC	EIT Digital	EIT InnoEnergy	EIT Health	EIT Raw Materials
Ex-post error rate in grants (in %)	0.02%	0.00%	0.00%	11.09%	12.54%

The **residual error** rate after ex-ante and ex-post controls is **0.95%**.

Contracting and amendment of legal framework

The 2017 Specific Grant Agreements were all signed with KICs in February 2017, with the exception of EIT Climate-KIC, which was signed in the beginning of April. The **average Time-To-Grant** from the submission of 2017 Business Plans to signature of the Specific Grant Agreements was **154 days**.

In 2017, an amendment to the five Framework Partnership Agreements had been initiated to take effect as of 1 January 2018, in order to incorporate changes in the model Horizon 2020 Framework Partnership Agreement. This has brought compliance with the H2020 legal framework while also maintaining the EIT-specific features. Moreover, one new Framework Partnership Agreement was prepared in the last quarter of 2017 to be signed with EIT Food.

During the year 2017, the following changes in the KIC Partnership and list of linked third parties had been requested from the five KICs through FPA amendments and processed by the EIT.

KIC Name	Entry in 2017					Exit in 2017				
	Q1	Q2	Q3	Q4	Total Entry	Q1	Q2	Q3	Q4	Total Exit
EIT Climate-KIC	20	17	21	8	66		5	1	5	11
EIT Digital	16	4	6	2	28	12	2	2	12	28
EIT Health	18	5	11	1	35	3				3
EIT Raw Materials	18	8	15		41	14	1			15
EIT InnoEnergy	23	11	32	3	69	3				3
Total	95	45	85	14	239	32	8	3	17	60

Final overview on eligible KIC Partners and linked third parties in 2017 (as of 31/12/2017):

KIC Name	KIC Partner	Linked third parties	Total
EIT Climate-KIC	252	49	301
EIT Digital	109	49	158
EIT Health	152	54	206
EIT Raw Materials	116	125	241
EIT InnoEnergy	335	30	365
Total	964	307	1,271

The significant increase of the number of Partners and linked third parties in 2017 demonstrated well the continued attractiveness of the EIT-KIC model.

Improving the grant assurance framework As regards ex-ante verifications, the main improvement in 2017 compared to previous years was that the EIT established its own four-year framework contract with three audit companies for the provision of Certificates on Financial Statements (CFS). This is the continuation of pilots on CFS centralisation carried out in 2015-16 by EIT Climate-KIC and in 2016-17 by the EIT using a framework contract of the European

Commission. The centralised approach showed substantial improvement in the quality of CFS, a much larger number of issues were detected by CFS auditors compared to the certificates provided by KIC Partners in previous years. This allowed the EIT to reduce its own samples for ex-ante analysis and concentrate on the follow up of CFS findings, therefore a higher degree of assurance can be achieved in a more efficient way. Lessons learned, such as the absence of quantified findings by auditors, were taken into account when designing the ex-ante verification of the next grant cycle in the second half of 2017. Furthermore, enhancements were made to the Business Planning and KIC Reporting guidelines in order to incorporate lessons learnt from the past.

Actions	Indicator	Target	Achievement/results
Grant allocation process / programming	Effectiveness and timeliness of funding allocation process to six KICs under grant allocation process 2018	Full allocation of available funds to six KICs by Q4 2017 and implementation of the simplified rules to improve the Business Plan 2018 issued Dedicated system to support cross-KIC cooperation designed and launched	Invitation to submit KIC Business Plan 2018 including estimated budget issued in April 2017 2018 Business plans and budget submitted by all six KICs in September 2017 EIT Governing Board decision on the annual grant allocation, including earmarked funding for cross-KIC activities, taken on 23 November 2017
Contracting and pre-financing payment of KICs	Timely signature of Grant Agreements	Signature of Specific Grant Agreements 2017 and Start-up Grant Agreements by end February 2017	Four Specific Grant Agreements 2017 signed and pre-financing payments made in February 2017 (the fifth one signed early April 2017 and the Start-up Grant Agreement signed in March 2017)
Improving the grant assurance framework and support and guidance for KICs to ensure sound financial management	Error rate of the KIC financial transactions Improvement in the absorption capacity of KICs	Final error rate remains below 2% for Specific Grant Agreements 2016 95% of the grants awarded to KICs are actually spent (GA 2016)	Based on results of ex-ante verification, the error rate in 2016 grants is 1.1% Based on results of ex-ante verification, the absorption rate for 2016 grants is 88%

	<p>Effective coordination and collaboration with KICs</p> <p>Timely issuance of guidance documents and replies to KIC queries</p>	<p>At least 4 EIT-KIC Forum meetings successfully completed by Q4</p> <p>Additional guidance and FAQ tool in use for KICs on programming, implementation, reporting and fostering EIT identity, including EIT label by the deadlines fixed in the grant cycle calendar</p>	<p>4 EIT-KIC Forum meetings held in 2017, agreements recorded in form of action points</p> <p>Revised guidelines on Business Planning, KIC Reporting and KIC management costs issued. KIC procurement guidelines issued. Improved timeline for 2018 grant allocation process. FAQ launched in September 2017.</p>
Reporting, performance assessments payments and audits	<p>Timely processing and finalisation of performance assessment and ex-ante verifications of 2016 KIC Reports</p> <p>Improved efficiency of the ex-ante verification of KIC reports ('first time right reporting' implemented)</p> <p>Centralisation and timely contracting and delivery of the CFS audits</p>	<p>Specific Grant Agreements 2016 assessed by end July 2017 and payments made by August 2017</p> <p>Compliance with good governance principles ensured for 5 KICs by Q4 2017</p> <p>20% reduced number of appeals by KICs on EIT verification findings compared to 2016</p> <p>Contract(s) with CFS auditors signed by Q4 2017</p>	<p>EIT ex-ante assessment on SGA 2016 KIC Reports finalised and KICs informed in July/August 2017. Final balance payment made to five KICs in August/September 2017</p> <p>Compliance with good governance principles assessed, open issues identified and followed up in 2018</p> <p>Only EIT Climate-KIC submitted officially a disagreement in October 2017, which after assessment was rejected by the EIT</p> <p>Two audit companies contracted in Q4 2017 to carry out 170 CFS audits in Q1 2018 in relation to costs declared under SGA 2017</p>

	Timely processing and finalisation of ex-post audits	Audits completed by end April 2017 (reports for SGA 2015) Auditors selected by Q4 2017 (selection for SGA 2016)	Ex-post audit completed (28 final ex-post audit reports) in May 2017 on SGA 2015 Contract signed in October 2017 for ex-post audit on SGA 2016, 27 KIC Partners selected for audit
Grant IT tools	Timely revision and upgrade to ensure comprehensiveness of the Reporting and Business Planning modules of the EIT's grant management tool	Reporting 2016 (Q1) and Business Planning 2018 (Q3) IT tools are effective and fully in use, users at EIT and in KICs adequately supported and trained	Updated IT modules were put in place, user training provided and modules used on a timely basis

1.1.1.2. Knowledge Triangle Integration

EIT Label

The EIT's and the KICs' educational mission is to raise a new generation of entrepreneurs and innovators in Europe. One of the main activities entails the delivery of excellent and relevant education to both business and societal demands, distinguished by an 'EIT Label'. The **EIT Label is a quality seal** awarded to an educational programme for a certain limited period, and this information is set in the EIT decision awarding the Label.

The EIT and its KICs have jointly devised the EIT Label Framework that defines the processes and mechanisms for labelling EIT programmes and modules at the Master and Doctoral levels and for renewal of the EIT label. For operational purposes a complementary document, the detailed "Handbook for planning, developing, awarding the EIT Label, and follow-up the reviewing of EIT labelled Master and Doctoral programmes" lays down in details the EIT Label Framework implementation process.

In 2017 the EIT conducted two assessment processes: 1) Evaluation of the KICs' self-assessments for the award of the EIT Label for **new master and doctoral programmes**; 2) Evaluation of the KICs' self-assessments for the renewal of the EIT Label for **existing EIT Label master and doctoral programmes**.

The KIC applications were submitted based on self-assessments under the provisions of the updated EIT Label Handbook. Altogether, the EIT received 59 applications, for 20 new and 39 existing master and doctoral programmes. Following the submission of the programmes, the self-assessments were assessed by a panel of experts that were independently selected by the EIT.

As a result of the assessment processes, **all 39 applications of existing programmes** (8 from EIT Digital, 8 from EIT InnoEnergy and 23 from EIT Climate-KIC) **were recommended for renewing the EIT Label**. As regards new programmes, 10 out of 20 were recommended for the Label, while the other 10 were initially rejected. Upon receiving the assessment reports, 9 out of 10 rejected programmes decided to submit feedback and asked for second review. Based on the feedback and documents provided by the applicants, the expert panel decided to reconsider initial recommendations and additional four programmes were recommended for the Label. Altogether, **a total of 14 new programmes were recommended for the Label** and 6 were rejected.

Following EIT Label assessment exercises conducted in the 2016 and the 2017, the EIT has received feedback on the assessment process from participating external experts and other relevant stakeholders (KICs, applicants and cross-KIC cooperation working group), suggesting changes and amendments which would improve the clarity of the EIT Label and the process to assess the KICs master and doctoral educational programmes in the future. Taking note of the lessons learnt and the operational recommendations by the experts, the EIT will in 2018 further revise labelling provisions and assessment process.

Promotion of Women entrepreneurship, digital skills and leadership

The objectives of the EIT's activities in the field of women entrepreneurship are as follows:

- **Long-term objective** is to empower women entrepreneurs and nurture women leaders by increasing the number of girls aged 12 to 18 interested in technology, innovation, digitalisation, entrepreneurship and leadership.
- **Short and medium term objectives** are to:
 - Support a cooperation platform that implements women entrepreneurship & leadership activities;
 - Expand and link the 2016-2017 activities and their success stories and lessons learned to interested partners and EIT Alumni and EIT Community activities, INNOVEIT, and EIT innovation communities partners own women entrepreneurship & leadership activities;
 - Disseminate success stories to encourage the empowerment of girls and women across Europe.

In 2017, the EIT:

- **Trained 700+ 12-18 years old female students in 8 countries** (Hungary, Romania, Bulgaria, Serbia, Greece, Turkey, Poland and Slovakia) delivering inspirational workshops, digital workshops and entrepreneurial education workshops, with co-funding from industry partners with partners such as EY, Junior Achievement, KEAN and others NGOs and private sectors partners;
- **Worked with KICs to start addressing gender mainstreaming** in their activities and their respective industries;
- **Participated with success stories from EIT Community in Women Leadership & Entrepreneurship events** (SWITCH Kaunas, Women and Science Budapest, Science on Stage Debrecen, Female Founders Summit Zurich, Ada Awards Brussels);
- **Published 10 online profiles of EIT Women Leaders & Entrepreneurs;**
- **Participated with success stories from EIT Community on online platforms** from other DGs and private sectors (WEGATE/WeHubs/WomenWay/iFundWomen);
- **Increased the female EIT Awards nominees** from 10% in 2016 to 40% in 2017.

Pilot project to support refugee integration

The EIT, as an important European initiative in innovation and entrepreneurship education, has a significant potential to support the EU and Member States in addressing societal challenges connected with the integration of refugees.

In the long run, the EIT would like to use its unique position to support the integration of refugees via entrepreneurship and innovation education, hence to support the integration efforts and thereby contribute to job creation, growth and competitiveness through the use of the knowledge triangle integration.

For 2017, the EIT decided to adopt very focussed and limited approach with the main goal to explore whether there is an area where the EIT can offer a unique opportunity and bring distinct value added to existing initiatives in this area.

Actions	Indicator	Target	Achievement/results
Further develop the EIT knowledge triangle integration agenda based on education review	Harmonised approach implemented to EIT Labelled masters, doctoral programmes and modules	All new and existing EIT labelled masters and doctoral programmes aligned with revised EIT Label handbook by end 2017	Completed. The EIT Label was renewed for the 39 existing programmes and was awarded for 14 new programmes.
	Entrepreneurial education activities are expanded beyond the current EIT Label approach	Based on the cross-KIC education activities, education review and education panel discussion a common agenda for entrepreneurial education activities is defined	Partially completed. The portfolio of KICs' education offerings has expanded. The cross-KIC project on Human Capital has been successfully implemented and started exploring the possibilities of extending the Label approach beyond academic education. New activities at school level (GreenInnovation@Schools and Train the trainers programme) plus 3 new cross-KIC MOOCs were introduced.
	Effective promotion of women entrepreneurship, digital skills and leadership	Women entrepreneurship, digital and leadership skills enhanced among 12-18 year olds,	Completed, more than 700 participants trained in 8 EIT RIS eligible countries

	increasing the innovation talent base	covering 5 EIT RIS eligible countries and reaching 500 participants	
Pilot project to support refugee integration	Pilot project launched to educate refugees on entrepreneurship and innovation	One pilot project launched by Q2 2017 ensuring entrepreneurship and innovation education of at least 100 refugees	Initiated (service provider contracted in 2017, workshops planned for 2018)

1.1.1.3. Fostering Growth and Creating Impact

Synergies with EU funds and programmes

In 2017, based on an updated mapping of existing and potential EIT synergies, the EIT continued to exploit synergies and complementarities with priority stakeholders. However, due to re-prioritisation of activities and shortage of human resources, the EIT focused its synergy-related activities on specific stakeholders and actions.

DG REGIO was one of the priority services of the European Commission targeted for 2017 due to the EIT's strong interest to focus on synergies and complementarities with the European Structural and Investment Funds. As a result of several encounters between EIT and DG REGIO, a structured dialogue was achieved and a reference was made to the EIT's Innovation Model and Regional Innovation Scheme in the Commission Communication on "Strengthening Innovation in Europe's Regions: Strategies for resilient, inclusive and sustainable growth". In addition, following the well-established dialogue with DG GROW, the EIT agreed to co-organise four trainings for SMEs in the topic of Design for Innovation in 2018. Furthermore, a dialogue with EASME and the SME Instrument has been initiated, with the aim to jointly identify synergies between the EIT Community and the new EIC Pilot.

Synergies have been explored with the European Training Foundation (ETF), in the areas of women entrepreneurship and skills development. A concrete first result was the presentation of the EIT's Innovation Model, among other relevant European and international initiatives and organisations, in the ETF's first publication of the 'Entrepreneurial Continuum'. In addition, the EIT explored collaboration opportunities with Junior Achievement (JA) Europe and the EU STEM Coalition, in the area of Education and skills development, which resulted in an agreement to jointly launch the EU Skills for the Future Initiative in 2018. The overall objective of the EU Skills for the Future initiative is to boost the development of future multi-disciplinary skills needed in Europe on a large scale, and equip young people with a blend of entrepreneurial competences and STE(A)M skills. Finally, EIT worked together with the European Cooperation in Science and Technology (COST) and the League of European Universities (LERU), in drafting a joint proposal on impact measurement for the 9th Framework Programme with the objective to submit it to DG RTD for consideration.

In addition to the aforementioned actions, the EIT actively facilitated collaboration between the EIT Innovation Communities and other EU Programmes and initiatives. For example, EIT facilitated the dialogue between EIT Digital and DG RTD on Spreading Excellence and Widening Participation, EIT Climate-KIC and FACCE-JPI, as well as EIT Food and PRIMA initiative, among others.

Implementation of the EIT-JRC Memorandum of Understanding

2017 was the first year of implementation of the JRC – EIT Memorandum of Understanding, signed late 2016. This first year was focused mainly on identifying actions of common interest within the four priority areas of the MoU, which are 1) Regional Development, 2) Education and Skills, 3) Innovation, Technology Transfer and Access to Finance and 4) Communication and Knowledge Management. In some of these areas concrete actions were taken forward, in particular in the areas of regional development and innovation. For example, in March 2017 a joint EIT-JRC workshop was organised in Seville with a total of 35 participants from the two organisations, the EIT Innovation Communities, DG EAC, DG REGIO and DG GROW of the European Commission. Another joint activity under this area was the co-organisation of JRC’s Innovation Camp at the EIT House in Brussels, together with EIT Climate-KIC and EIT InnoEnergy, as a side event during the European Week of Regions and Cities in Brussels (October 2017). In the area of innovation, JRC experts on Intellectual Property Rights supported the implementation of the EIT’s Innovation Review. In addition, JRC contributed with its expertise in the assessment of the four identified thematic areas to be addressed by EIT Innovation Communities in the post-2020 period, as included in the EIT’s Draft Strategic Innovation Agenda for 2021-2027. Further to the above, regular exchanges related to awareness raising for external stakeholders took place during 2017, through JRC’s and EIT’s communication channels (e.g. JRC’s Science & Policy Briefing monthly issue, the S3P website etc.).

In September 2017, the first annual meeting of the JRC-EIT Coordination Group took place. The main objective of the meeting was to take stock of the EIT-JRC cooperation under the four priority areas of the Memorandum of Understanding. In particular, the meeting focused on major updates from the EIT and JRC, stocktaking of the JRC-EIT cooperation and good practices/ lessons learnt, as well as possible future areas and actions of mutual interest.

Actions	Indicator	Target	Achievement/results
Promotion of synergies with other EU initiatives	Synergies of EIT activities with other EU programmes (e.g. other H2020 programmes, ESIF, IPA, Copernicus, EFSI), funding bodies (e.g. EIB, EIF) and policies (e.g. Digital Agenda, SET Plan etc.) and structured dialogue in place, including joint initiatives ⁷	At least two new joint projects creating positive synergies for the EIT and establishing a structured cooperation with other programmes under way by Q4 2017	EIT’s Innovation Model presented in ETF’s first publication of the ‘Entrepreneurial Continuum’ Agreement with Junior Achievement (JA) Europe and the EU STEM Coalition to launch the EU Skills for the Future initiative

⁷ EIT Awards will highlight if the award winner received funding from ESIF, H2020, or other EU programmes.

			Agreement with DG GROW to co-organise four trainings for SMEs on Design for Innovation
Implementation of the EIT-JRC MoU	Joint activities with JRC based on the MoU carried out successfully	At least two joint activities with JRC (e.g. foresight study, education, IPR or research infrastructure)	<p>Joint Workshop on Regional Development organised with participants from JRC, EIT Community, DG EAC, DG REGIO, DG GROW (March 2017)</p> <p>EIT's Innovation Review supported by JRC experts (Q2-Q4 2017)</p> <p>Future themes for EIT Innovation Communities assessment reports supported by JRC experts (Q3-Q4 2017)</p> <p>1st meeting of the JRC-EIT Coordination organised in September 2017</p>
		Coordination mechanism operates as designed in the MoU	

1.1.2 Creating new KICs

Preparation of the Call package for the 2018 call

A document drawing lessons from the 2016 Call for KIC proposals was prepared by the EIT and approved by the EIT Governing Board on 23 March 2017. The document served as a basis for development of the assumptions for the 2018 Call for KIC Proposals, identifying risks and proposing mitigation measures.

The set of selection criteria had been developed and was adopted by the EIT Governing Board on 15 June 2017. On 17 July 2017, the EIT sent a request to the Commission for legal confirmation concerning the re-launch of the EIT Manufacturing call in 2018 and received a positive response. The EIT Governing Board endorsed the draft text of the revised Framework of Guidance document in its meeting on 21 September 2017. This documents describes the EIT model and helps potential applicants to prepare high-quality proposals.

Following adoption of the Framework of Guidance and receiving confirmation from the European Commission on the legality of the re-launch of the call in the theme Added-value Manufacturing, the Framework of Guidance was finalised and published on 30 November 2017 as planned.

The final draft of the 2018 Call for KIC Proposals was approved by the GB in its meeting in 23 November 2017. Finally, the Call for Proposals for EIT Manufacturing and EIT Urban Mobility was launched and published on 12 January 2018⁸.

Support in the setting up process of the EIT Food

EIT supported the efficient and effective setting up of EIT Food during its start-up phase in 2017 following the implementation of their Start-up Plan in the framework of the Start-up Grant Agreement (SUGA).

The main milestones and deliverables for the start-up phase were achieved by EIT Food but some issues needed a closer monitoring. In summary, at the SUGA stage in 2017, the following main steps were completed:

- Following evaluation of the Start-up Plan submitted by EIT Food, the EIT decided to award a maximum amount of EUR 3,994,650 for the implementation of the Start-up Plan on 20 February 2017;
- The Start-up Grant Agreement entered into force on 29 March 2017;
- On 15 September 2017, EIT Food submitted the interim report which was assessed by the EIT in September/October 2017;
- On 15 September 2017, EIT Food successfully submitted its first Business Plan for 2018;
- On 23 November 2017, the EIT Governing Board concluded that the progress of EIT Food in successfully achieving the main milestones of the start-up phase was endorsed and the finalisation of the new KIC designation process was approved subject to the signature of the Framework Partnership Agreement by the KIC and subject to the appointment of the permanent EIT Food CEO;
- The Chairperson of the EIT Food Supervisory Board announced in December 2017 the appointment of the EIT Food CEO starting from 1 February 2018;
- EIT Food and EIT signed the Framework Partnership Agreement (FPA) on 1 March 2018;
- The final SUGA report was submitted to the EIT on 5 March 2018 and to be assessed during Q1-Q2 2018.

The following main actions were carried out to support the setting up process of the EIT Food:

- EIT Food's performance was continuously monitored by the EIT on the basis of monthly progress reports submitted by EIT Food;
- Monitoring visits performed in the framework of the EIT Food's Monitoring Plan 2017 – EIT performed five on- spot monitoring missions to assess progress of the EIT Food's structuring process;
- EIT Food's Interim Report was submitted on 15 September 2017 and assessed by the EIT in September/October;
- EIT Food's Final Report – submitted by the EIT Food SUGA Coordinator on 5 March 2018 and assessed by the EIT in Q1-Q2 2018;

⁸ <https://eit.europa.eu/collaborate/2018-call-for-proposals>

- Facilitation of dialogue between EIT Food and European Commission services: specific meetings were organised in January, April, September, October and December 2017 in Brussels.

Communications activities linked to the EIT’s 2018 Call for KIC proposals

The 2018 Call website was set up including the set of the Frequently Asked Questions and the specific messages for the Added-Value Manufacturing theme. Corporate EIT presentations on the 2018 Call for KIC Proposals were developed, put on the website and widely disseminated to the EIT stakeholders. Furthermore, the EIT contacted relevant Directorate-Generals within the European Commission for a list of events where the Call could be effectively promoted. In total, 14 relevant events to promote the call in both themes were identified. The promotion of the call started on 29 March 2017 at an event organised together with DG MOVE. Over 200 participants attended the event and the decision of the EIT Governing Board to re-launch the Call for EIT Manufacturing was announced. Additionally, the EIT promoted the Call to potential applicants at several events such as the EIT Climate-KIC event “Urban Transitions”, the STOA-STS Forum “The future of mobility”, the Estonian Presidency Conference on Research and Innovation, EIT Awareness Day in Tallinn, Manufature International Conference, Smart Cities Forum, Grow your Region event etc.

Actions	Indicator	Target	Achievement/results
Preparation of the Call package for the 2018 call	Lessons learned from the 2016 KIC call	Lessons learned document approved by the EIT GB by Q2 2017	Lessons learned document approved by the EIT GB in March 2017
	The call package approved by the EIT Governing Board	Call package approved by Q4 2017	Call package approved in November 2017
Support in the setting up process of the EIT Food	Start-up Plan implemented, incl. KIC Legal Entity set up, management team in place and FPA signed	Start Up plan implemented by Q4 2017, KIC designated and FPA awarded Business Plan submission by Q3 2017	Start-up plan implemented by end-2017, 2018 Business Plan submitted in September 2017, KIC designated in November 2017, FPA awarded early 2018
	Business Plan 2018 timely submitted		
Communications activities linked to the EIT’s 2018 Call for KIC proposals	Effective awareness and information campaign for the 2018 Call for KIC proposals, targeting relevant stakeholders and potential	Awareness and information activities implemented by the end of 2017, including a joint event with DG MOVE	Completed as planned, including the event with DG MOVE on 29 March 2017.

	applicants to maximise participation	Efficient and effective preparation for 2018 Information Day completed by Q4	Information Day in Brussels on 13 February 2018.
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1.2. Enhancing the EIT’s impact

1.2.1. The EIT’s next Strategic Innovation Agenda (SIA) 2021-2027

Throughout 2017, the EIT worked on developing its future strategy for the post-2020 period. A dedicated working group of EIT Governing Board members and EIT staff was set up to drive the process. In the first half of 2017, future strategic directions were developed, discussed and agreed by the EIT Governing Board for all EIT priority areas, including the formulation of a new vision, an extended mission and clear objectives and the further development of the EIT’s innovation model based on the integration of the Knowledge Triangle.

A specific stakeholder engagement plan was put in place to ensure that all relevant internal and external stakeholders are consulted for input and feedback on the EIT’s future positioning and strategy development. The EIT also prepared an overview of positions by stakeholders with regards to the 9th Framework Programme and the role of the EIT.

Based on the strategic directions a ‘*Strategic outline*’ reflecting the main elements of the SIA, as well as factsheets for potential future thematic areas for new EIT Innovation Communities were adopted in September 2017. These documents served as input for discussions with stakeholders during the EIT’s Innovation Forum *INNOVEIT*, which took place in October 2017.

Based on the feedback received and taking into account the developments of the future Framework Programme for Research and Innovation (FP9) and main findings of various reviews, assessments and external evaluations, such as the EIT’s mid-term evaluation, the EIT finalised and submitted its Draft SIA to the European Commission on 20 December 2017.

Actions	Indicator	Target	Achievement/results
Preparation of the EIT Draft Strategic Innovation Agenda 2021-2027	Timely implementation of the SIA roadmap Efficient and effective stakeholder consultation	Approved building blocks by Q2 2017	A first set of building blocks was approved in Q1 and the final set of building blocks was approved in Q2 2017

		Approved scope of content to be covered by Q3 2017	Approved scope of content was approved by Q3 2017 and a 'Strategic Outline' was drafted
		Draft outline document by Q4 2017	The EIT's draft SIA was submitted to the European Commission on 20 December 2017
		Relevant studies completed, collected and main recommendations compiled	Relevant studies, reviews and assessments were completed and the main recommendations were reflected in the SIA
		SIA working group operational	SIA working group was operational and driving the development of the SIA
		Stakeholder consultation completed by Q4 2017	The stakeholder consultation was completed by Q4 2017

1.2.2 Fostering Knowledge Exchange through Communications and Dissemination

1.2.2.1. Fostering Knowledge Exchange through Dissemination

EIT Corporate Communications

An important aspect of the EIT's activities remit is to increase the visibility of the EIT's activities, achievements and opportunities through communications. In 2017, the EIT continued to maintain and keep its website up to date. This resulted in a 15% increase in unique visitors interested in many of the EIT's offerings, from the 2018 Call for KIC Proposals, the EIT Awards nominees and competition, the EIT's annual stakeholder conference INNOVEIT as well as information relating to career opportunities at the EIT. Updates from the EIT and its Innovation Communities were actively shared through the EIT monthly newsletter and through the EIT's social media channels.

Exploration of further enhancement of a web based tool to provide a platform for knowledge sharing and networking around the EIT

Due to delays in the open call for digital communications that was only concluded in August 2017, this action will be completed in 2018.

Implementation of EIT 2017 Integrated Communications Campaign

To increase the reach and impact of its communications, the EIT implements annual promotion campaigns focused on some specific activities together with external consultants. As the framework contract under which these campaigns are run was signed late in 2016, the EIT's own 2017 campaign could only begin in mid-April 2017, which is reflected in the media coverage results. Whilst the quantitative targets were not met in 2017, it must be highlighted that from a qualitative point of view, EIT media coverage included positive tonality articles in a wide range of print and online outlets, such as Frankfurter Allgemeine Zeitung (FAZ), Forbes, Le Soir, Dnevnik, El Mundo, Irish Times, La Stampa, EUObserver, Horizon2020 to name but a few. In addition to media coverage, the 2017 campaign also increased both followers and engagement on EIT social media channels, including Twitter and Facebook.

Development of the new EIT Communications Strategy

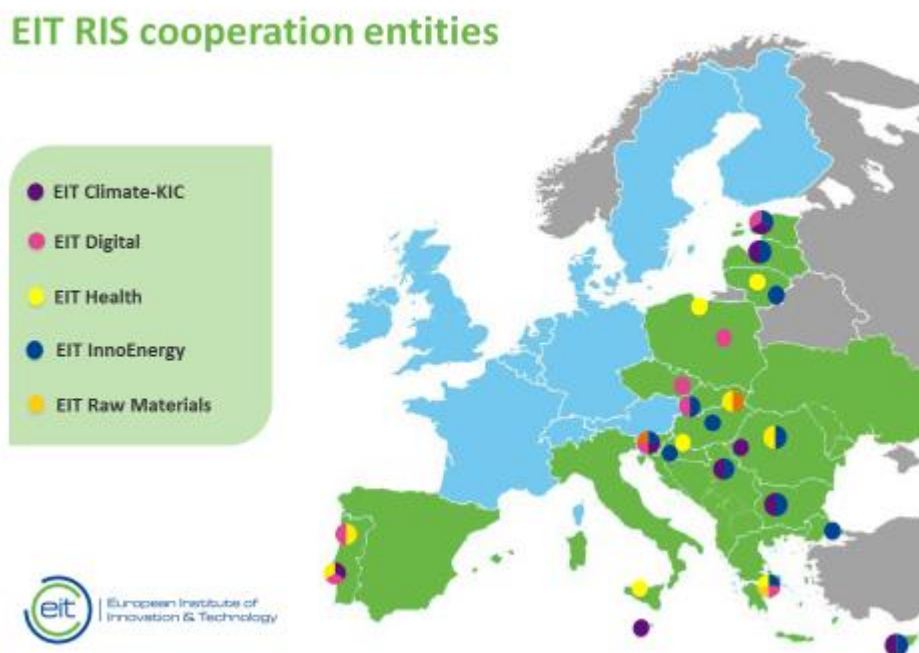
The EIT decided to review and update its communications strategy to increase the efficiency and effectiveness of its communications and promotion activities. As part of this, an inception report evaluating the state of play of EIT communications was prepared by external consultants to help shape internal and external stakeholder interviews. Indeed, it was deemed crucial to evaluate how the EIT is perceived both externally and internally, in order to ensure that the updated EIT Communications strategy could be effective. Based on this, the update of the strategy began. However, due to a number of unforeseen circumstances, the update could not be finalised in 2017 and this will take place in 2018.

Actions	Indicator	Target	Achievement/results
EIT Corporate Communications	Up to date and high quality website leading to an increase in visits	5% increase in unique visitors to the EIT website in 2017 compared to 2016 based on unique visitor statistics	2016: 237,237 unique visitors 2017: 272,783 unique visitors ➔ 15 % increase
	Timely and targeted communication of EIT Community news, events and calls through the EIT Newsletter	Monthly newsletter issued and positive feedback received	12 monthly EIT newsletters and 3 special edition newsletters disseminated to mailing list, shared on EIT social media channels: https://eit.europa.eu/newsroom/newsletters

	Effective coordination mechanism with KIC communications	At least 3 meetings of the communications network and structured coordination mechanisms in place	1 formal meeting and 1 informal meeting as well as bilateral exchanges in place to ensure increased cooperation
Exploration of further enhancement of a web based tool to provide a platform for knowledge sharing and networking around the EIT	Feasibility study for the use of a web-based tool completed	Feasibility study completed by Q4 and cooperation with existing tools tested (e.g. Commission, Agency or EP tools such as CORDA)	Feasibility study launched in Q4 2017 to be completed by Q2 2018 due to delays in open call launch (open call for digital communications).
Implementation of EIT 2017 Integrated Communications Campaign	Quantitative and qualitative increase in EIT media coverage, with focus on EIT level highlights such as INNOVEIT and KIC call and results achieved by KICs Quantitative increase in likes/followers on social media channels	5% increase in EIT press (print and online) coverage in 2017 compared to 2016 statistics 10% increase in the number of unique users, including “like” the EIT Facebook and “following” the EIT Twitter in 2017 compared to 2016 statistics	2016: 2,176 2017: 1,105 ➔ 49 % decrease N.B.: due to delays in framework contract for communications, 2017 media monitoring only covered from 05 May 2017. Twitter followers 2016: 11,867 Twitter followers 2017: 24,005 ➔ 102 % increase Facebook followers 2016: 12,264 Facebook followers 2017: 32,788 ➔ 167 % increase
Development of new EIT Communications Strategy	Successful development of the new EIT Communications Strategy	New EIT Communications Strategy adopted by EIT Director in Q42017	Draft updated strategy discussed with EIT Director in December 2017. Due to capacity issues, to be finalised in 2018.

1.2.2.2. EIT Regional Innovation Scheme (EIT RIS)

All EIT Innovation Communities are now implementing the EIT RIS. To date, entities of the following 18 EIT RIS countries have been involved in EIT RIS activities: Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Italy, Slovakia, Slovenia, Serbia and Turkey.



Ensure effective implementation of EIT RIS activities by KICs

The EIT and KICs formed a working group to re-design the EIT RIS Guidance Note with a view to setting clear expectations towards the goals of the EIT RIS and the overall approach. The Guidance Note was designed for the period 2018-2020, and published in April 2017. The EIT RIS Guidance Note 2018-2020 explicitly articulates that the Scheme will contribute to enhancing the innovation capacity in the EIT RIS eligible countries and regions through promoting knowledge triangle integration as the EIT Community's innovation delivery mechanism. The EIT RIS allows widening the participation to entities that cannot (yet) become KIC partners as well as provide targeted support to individuals and entities from EIT RIS eligible countries to take part in KICs activities and benefit from KIC services and programmes. Furthermore, the KICs will disseminate the best practises of knowledge triangle integration which will allow initiating and setting up collaborations and programmes between knowledge triangle actors in the EIT RIS eligible countries. By the end of 2017 all the KICs had delivered their individual EIT RIS Strategies 2018-2020.

The EIT RIS Cross-KIC activity was initiated in 2017 and brings together all the KICs and functions as a platform for harmonisation of individual KIC activities, joint learning and development of common approaches and programmes. As part of the group, the KICs discussed the implementation of their individual activities and approach towards establishing EIT hubs. A knowledge triangle integration gap assessment was carried out in the EIT RIS countries to better understand the needs and opportunities in the different countries. The KICs also implemented joint business idea bootcamps (ideation events) with very positive feedback from participants. The KICs will run the bootcamps in 2018 as well.

Coordinated dissemination of information and communication of EIT RIS activities

The EIT Hub brand was introduced officially with the EIT RIS Guidance Note 2018-2020, but KICs started to implement already in 2017.

The KICs ran national events to meet the local stakeholders. Altogether 6 events were organised in 2017 in Poland, Slovenia, Latvia, Slovakia, Lithuania and Portugal.

These events typically included an introduction by the EIT, a session on each Innovation Community and their offering, a discussion on the local Smart Specialisation Strategies and individual sessions/networking with Innovation Communities.

Actions	Indicator	Target	Achievement/results
Ensure effective implementation of EIT RIS activities by KICs in line with the Guidance	Increased efficiency and effectiveness of RIS activities by participating KICs	Report on results and outputs of activities implemented by participating KICs by Q4 2017 based on bi-annual EIT RIS reports	All KICs have provided their bi-annual EIT RIS describing the major activities in each country they target.
	Widening of participation by EIT RIS eligible countries in EIT activities and deepening collaboration with local networks	At least 50 new partner organisations engaged with KICs implementing the EIT RIS and demonstrating the involvement of local actors previously not involved in EIT activities	More than 50 organisations involved in the KICs activities as demonstrated through the EIT Core KPI on external participants involved in the EIT RIS programmes.
Coordinated dissemination of information and communication of EIT RIS activities together with the KICs	Timely communication of EIT RIS activities including calls and events and support of cross-KIC communication actions	Publication of EIT RIS calls of KICs on EIT website and dissemination of EIT RIS information and good practices via other relevant channels	EIT InnoEnergy, EIT Health and EIT Digital had open calls for local cooperation entities (hubs), EIT Climate-KIC had a call on EIT RIS acceleration programme, EIT Health had open calls for StarShip and business plan competition, EIT InnoEnergy ran a call for PoweUp! competition. Calls

	Timely revision of and agreement on the EIT RIS guidance	Revised EIT RIS guidance by Q1 2017	were published on the EIT website. EIT RIS Guidance Note 2018-2020 was published in April 2017
	Coordinated awareness raising with potential EIT RIS cooperation organisations and related stakeholders	Joint KIC initiatives launched under the cross-KIC collaboration umbrella	A joint bootcamp by EIT Health, EIT Raw Materials and EIT Food implemented and joint national events to meet local ecosystems.
		At least two awareness days organised in EIT RIS eligible countries in cooperation with KICs	EIT Awareness day in Estonia carried out

1.2.3. Fostering and Attracting Talent

1.2.3.1. EIT Alumni Community

2017 began with changes in the composition of the EIT Alumni Board. The new Board have reshaped the community in a new direction, viewing the EIT Alumni as a network of networks, in which the Board connects the four current (KIC) Alumni Communities.

A primary change in the strategy of the EIT Alumni community in 2017-2018 was to give greater focus on improving collaboration between the Alumni Communities rather than the individual members. By essentially changing the ‘customer base’ of the EIT Alumni Community in this way, the EIT Alumni Community is now establishing itself as the go-to point for collaboration, the planning of cross-Community activities, and knowledge & information sharing between Alumni Communities. This shift in strategy has been supported by the setup of an EIT Alumni Secretariat located in a central location at the EIT.

A first step towards this collaboration was the first Board of Boards meeting in Budapest on 16 September 2017. This brought together 13 Board members from the Alumni Communities, with the aim of shaping the future of the EIT Alumni Community in a way which represents both the EIT and its members.

A particular highlight of the year was the EIT CONNECT event, which, in 2017, handled the themes of Community Building and Entrepreneurship and culminated in an exciting co-creation session where new EIT Alumni projects were born. Of the 105 alumni who attended, 70% were newcomers, which exemplifies just how much the EIT Alumni is expanding. The EIT Alumni has also created a new multi-annual work programme in which it plans its deliverables according to a new multi-year strategy for the period 2018-2020.

The specific annual objectives for 2018 have been defined and outlined in the EIT Alumni Work Plan (aligned with the calendar year) to ensure flexibility and adaptability in the main chosen directions. From these, different projects and

activities are created by members and for members. In this way, The EIT Alumni ensures the continued participation and engagement of members to help shape the community and expand its impact.

Actions	Indicator	Target	Achievement/results
EIT Alumni Work Plan supported	Efficient and effective management of the EIT alumni community	Effective support for the implementation of the EIT Alumni 2017 work programme provided	Completed
		Approve EIT Alumni 2018 work programme	Completed on 20 April 2018
		Successful EIT Alumni Connect event as part of INNOVEIT	Organised in October 2017

1.2.4 Enhancing Stakeholder Engagement

1.2.4.1 Stakeholder engagement

Engagement with institutional and knowledge triangle stakeholders

During 2017, the EIT continued to directly engage with its institutional stakeholders, including the European Parliament, European Commission services and EU Member States as well as other key stakeholders from across the Knowledge Triangle in a structured, targeted and tailored manner. Regular formal and informal exchanges took place at different levels including the EIT Governing Board Members, the EIT Interim Director and staff, in several locations such as the EIT Headquarters in Budapest, EU Member States and Horizon 2020 Associated countries.

The main objectives of these encounters were to raise awareness on the EIT Community and its activities, increase visibility, as well as to showcase achievements and results. A particular focus was placed in consulting stakeholders with regards to the EIT’s future ambition for its Strategic Innovation Agenda 2021-2027 that was finally submitted to the European Commission in December 2017. The stakeholder consultation process for the future EIT SIA took place during the whole year through different occasions and event and was finalised with the EIT’s Annual Stakeholder Forum, INNOVEIT 2017. In addition, an important number of encounters focussed to raising awareness and mobilising interested stakeholders for the EIT 2018 Calls for new Innovation Communities in the areas of Urban Mobility and Added-value Manufacturing, launched in January 2018.

In total, the EIT representatives contributed or participated in 112 events organised by its stakeholders in 2017. For example, in February 2018 the Chairman of the EIT Governing Board contributed to the 1st European Industry Day and met Commissioner Katainen to discuss pertinent issues to the EIT, while in April he participated to a dinner with the ‘Lamy High Level Group’ to discuss the EIT’s positioning in the future Framework Programme for Research and Innovation (FP9). In September, the EIT Interim Director welcomed a delegation of the European Parliament CONT

Committee at the EIT Headquarters in Budapest and presented the EIT achievements and results. In April and October, the EIT Interim Director participated in the Council’s Research Working Party meetings, where he presented the latest developments of the EIT Community. In September, the EIT organised in close coordination with DG EAC the Annual Meeting with the European Commission Services, with participation from 12 different Directorates-General (32 units). In October, an EIT Awareness Day was organised in Tallinn, during the Estonian Presidency of the Council, in collaboration with the Estonian Ministry for Education and Research. Furthermore, the EIT had regular meetings and information exchange with EU multipliers such as COST, LERU and EARTO.

Organisation of EIT Stakeholder Forum INNOVEIT 2017

The third edition of the EIT Innovation Forum, INNOVEIT, held in Budapest on 16-17 October gathered more than 500 participants, including entrepreneurs, EIT students and alumni, EU, national and regional policy-makers, representatives of the EIT’s Innovation Communities, higher education and research institutions, journalists as well as EIT Governing Board Members and staff. Participants and speakers included Commissioner Navracsics and several MEPs.

We showcased, promoted, and celebrated innovations, successful entrepreneurs, and emerging ventures from the EIT Innovation Communities. Through the **stakeholder consultation forum** and a dedicated session of the **EIT Member States configuration** we gained essential input for the future EIT strategy. During INNOVEIT, the 20 nominees for the **EIT Awards** showcased their innovations and achievements, and winners for the following categories were announced: EIT Change, EIT Innovators, EIT Venture and the EIT Audience Award. A strong and much improved gender diversity in the nominees was achieved this year, including with the winners⁹.



In addition to the 2017 EIT Awards, an Innovation Tour was organised during INNOVEIT 2017, featuring the 20 Awards nominees and two additional innovators from EIT Food. The tour was well received from INNOVEIT 2017 participants and nominees alike.



The EIT Alumni CONNECT 2017 brought together more than 100 students and Alumni from the EIT Community and had two primary themes: Entrepreneurship and Community

⁹ <https://eit.europa.eu/newsroom/eit-awards-winners-2017-announced>

Building. In a **Co-creation session** 14 remarkably well developed projects were presented to a jury, which selected 3 winning projects to be implemented in cooperation with the EIT Alumni in 2018. The three winning projects included: Roadshow – hosting entrepreneurship workshops in schools, Impact – holding a challenge-solving event in partnership with an NGO, and Chaos – a peer review, feedback system created by alumni, for alumni.

The post-event analysis concluded that INNOVEIT 2017 had been successfully implemented, initial objectives had been achieved and several strong aspects had been integrated such as a powerful keynote speech, improved format of the Innovation Tour and a newly introduced EIT Audience Award.

Establishment of an “EIT House” in Brussels

The inauguration of the EIT House in Brussels, a shared working space and a place for showcasing the results of the EIT Community, took place on 26 September 2017 and has been a great success, which received the support of high level officials from the European Union, including the European Commissioner for Education, Culture, Youth and Sport, several Members of the European Parliament and high level representatives of the European Commission. The work of the EIT and the KICs was showcased through stands that allowed for presentations of innovations and the dialogue with an audience of more than 110 people. Since its opening in July and its official inauguration, the EIT House has become an active place for showcasing the work of the EIT Community. More than 60 events have taken place at the EIT House involving an overall number of participants higher than 1200.

Pilot of the stakeholder management tool of the EIT

With regard to the stakeholder management tool, the EIT implemented the first trial between Q2-Q3 2017. The selected tool was one of the options proposed by the contracted external expert, who had assessed possible options based on the EIT needs.

Actions	Indicator	Target	Achievement/results
Engagement with institutional and knowledge triangle stakeholders	Structured dialogue and joint projects with selected institutional and knowledge triangle stakeholders	Mapping and prioritisation of key stakeholders and topics of common interest in place by Q2 2017	Mapping of key stakeholders in a stakeholder engagement plan and key events according to needs and developments
	Active participation in key events with maximum relevance in terms of participants, content awareness raising and media multipliers for the EIT	3 concrete joint projects under implementation with key stakeholders Following assessment, targeted participation of EIT representatives (including EIT Governing	Participation in 112 targeted events of key stakeholders, including 22 international conferences and over 60 high-level meetings,

		Board members) in at least 20 international events of key stakeholders	following an assessment of 153 invitations Reinforced structured dialogue with institutional and knowledge triangle stakeholders
Organisation of EIT Stakeholder Forum INNOVEIT 2017	Targeted information provided and dialogue with key stakeholders Positive, above-average feedback received from participants (as measured by a dedicated survey)	Participation by at least five knowledge triangle representatives of all three sides and 75% of EU Member States > 75 % of feedback received above average	532 participants in total, out of which: - Business Representatives: 42 - Higher Education Representatives: 27 - Research Representatives: 15 Participants came from all 28 Member States (100% representation) 78 % positive feedback
Preparation of the EIT Stakeholder Forum 2018	Concept for the 2018 edition of the EIT Stakeholder Forum based on lessons learnt from previous editions	Evaluation review of the 2017 EIT Stakeholder Forum available by Q4 2017	Lessons learned document presented to the EIT Governing Board in November 2017
Establishment of an “EIT House” in Brussels	Effective strategy and programme for the EIT House agreed with KICs	EIT House in Brussels established including overarching strategy and programme agreed with KICs to maximise impact on stakeholder engagement and EIT visibility awareness raising	EIT House established in Q2 2017 and inaugurated in September 2017

Pilot of the stakeholder management tool for the EIT	Stakeholder management tool piloted	Piloting of a tool to support stakeholder mapping and contact management by Q2 2017	First trial of the stakeholder management tool implemented in Q2 and Q3 2017 (second trial delayed to 2018)
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1.2.4.2 Relations with Third Countries and International Organisations

In 2017 a number of meetings took place with delegations from the Embassies of the United States, South Korea, China and Australia, at the EIT Headquarters in Budapest. The aim of these meetings was to raise awareness on EIT activities and explore potential collaboration opportunities. In addition, EIT organised a very successful Awareness Day in Israel, together with the Israel-Europe R&D Directorate (ISERD), where more than 150 stakeholders from the knowledge triangle participated. In addition, in July 2017, the EIT participated in a conference in Chisinau where collaboration opportunities with Horizon 2020 Associated Countries were presented and general awareness about the EIT and its activities was raised. As a result, the EIT received two requests from Moldova and Serbia to organise awareness days in 2018 and explore opportunities for a more structured collaboration through the EIT Regional Innovation Scheme.

Actions	Indicator	Target	Achievement/results
Engagement with selected third countries and international organisations	Establish structured dialogues in targeted Third Countries on knowledge triangle integration issues	Structured dialogue set up in at least two of the targeted countries and international organisations by Q4 2017	Engagement with key stakeholders in non-EU countries and international organisations: structured dialogue with the Israel-Europe R&D Directorate (ISERD), which resulted in the EIT Awareness Day and with the Serbian Ministry for Education, Science and Technological Development, which led to an EIT Awareness Day organised in February 2018

1.2.4.3. EIT Awards

Organisation of the 2017 EIT Awards

The 2017 EIT Awards were organised as an integral part of the EIT Stakeholder Forum - INNOVEIT 2017, which was held in Budapest in October 2017.

The 2017 EIT Awards were organised in three main categories: EIT Venture, EIT CHANGE and EIT Innovators, and a fourth award category was introduced to allow for public voting among the 2017 INNOVEIT attendees for the best overall 2017 EIT Award nominee (EIT Audience Award).

The objectives of each of the EIT Awards are the following:

- The EIT CHANGE Award celebrates graduates of EIT-labelled education programmes who spur innovation and entrepreneurship and bring about a change in the areas of climate change, digitalisation, energy, health, food and raw materials addressed by the EIT and its innovation communities.
- The EIT Innovators Award recognises innovation teams composed of individuals from our innovation communities that have developed a product, service or process with a high potential for societal and economic impact.
- The EIT Venture Award puts the spotlight on successful entrepreneurial start-ups that have been supported by the innovation communities through dedicated business creation or business development processes.

2017 EIT CHANGE AWARD WINNER, Florence Gschwend, EIT Climate-KIC



BioFlex - Chrysalix Technologies

Uses any type of woody material to produce the chemicals, materials and fuels of a cleaner tomorrow.

Florence attended the EIT Climate-KIC Summer School.

2017 EIT VENTURE AWARD WINNER, Hans Constandt, EIT Health



Ontoforce

Wants to heal patients with smarter data and have a global impact on bringing drugs to market faster.

Ontoforce participated in the EIT Health Go Global programme.

2017 EIT INNOVATORS AWARD WINNER, Martin Steinberg, EIT Health



Stockholm3 Test (STHLM3)

Predicts the risk of aggressive prostate cancer by analysing five protein markers, more than 100 genetic markers, and clinical data.

The Stockholm3 Test is an innovation project from EIT Health.

2017 EIT AUDIENCE AWARD WINNER, Carsten Mahrenholz, EIT Health



COLDPLASMATECH GmbH

Wants to pioneer the next step in modern medicine, treating chronic wound patients and killing multi-resistant bacteria.

COLDPLASMATECH won the EIT Health Business Plan Accelerator in 2016.

Preparation of the 2018 EIT Awards

Preparation for the 2018 EIT Awards started in 2017 with a lessons learned exercise carried out together with the KICs. Based on the lessons learned, the implementation of the 2018 EIT Awards will comprise a promotional campaign, the preparation of nominees for the pitching sessions, the set-up of a high-level jury for each Award category, the organisation of the Award Ceremony and the implementation of a monetary prize for one winner per category. The prizes for the EIT Award winners will include a new award category in 2018. The EIT Woman Award will recognize the outstanding work and achievements by exceptional women from the EIT Innovation Communities.

Actions	Indicator	Target	Achievement/results
Organisation of the 2017 EIT Awards	Timely implementation of the 2017 EIT Awards	2017 winners of all three categories awarded in October 2017	Three winners and the audience award announced in October 2017
Preparation of the 2018 EIT Awards	Timely launch of the preparation for the 2018 EIT Awards competition	EIT CHANGE and EIT Innovators Awards preparations launched by end December 2017	Preparations launched in November 2017 when the SPD 2018-2020 was adopted, and launch of the call for nominees by Mar 2018

1.3. New Delivery Mechanisms and Results-oriented Monitoring

1.3.1 EIT-KIC Relations

1.3.1.1. The Role of the EIT as an Investor and KICs' Financial Sustainability Strategies

Monitor implementation of the Principles on KICs' Financial Sustainability (FS)

In 2017, KICs have, in general, demonstrated that Financial Sustainability has been prioritised and managed at the highest levels in the KICs. The implementation of measures and operationalisation of business models have had a significant impact at strategic, operational and organisational levels within the KICs. As requested by the EIT Governing Board, and in addition to the information and data submitted by KICs in Reports and Business Plans, KICs submitted to the EIT in Q1 2017 updated strategies on financial sustainability. As a result the EIT held bilateral meetings with the KICs' senior management to discuss in detail the strategies and make recommendations for improvement. The first meeting in this series took place with the CEO of EIT InnoEnergy, hosted by a Member of the EIT Governing Board, on 25 May 2017 followed by a meeting with the CEO of EIT Digital on 21 July 2017. Bilateral meetings with the other KICs will take place in Q1-Q2 2018.

KICs report their Revenues under five categories: 1) ROI & Equity; 2) Education; 3) Services & Consulting; 4) Membership Fees; and 5) Alternative Funding Sources as well as the FS Coefficient (%) = Total Revenues / EIT financial contribution. Compared to when FS started to be discussed (2014) the first 3 KICs have made good progress in prioritising FS as a key strategic issue and in identifying some of the main issues. KICs in the second and third waves benefit from lessons learned and have more time to prepare for their financial sustainability. In total, KICs reported in 2017 EUR 23.7 million and estimate a total of EUR 45.4 million revenues to be generated in 2018.

7-year review of KICs

In line with the Principles on KICs' Financial Sustainability and life cycle of Innovation Communities of 7 to 15 years, the EIT launched in August 2017 a 7-year review (2010-2016) of the first wave KICs, EIT Climate-KIC, EIT Digital and EIT InnoEnergy, conducted by external experts. Its objective is to assess, at the middle of the period of the total EIT funding to KICs against the baseline set out in the KICs' proposals submitted in 2009, as well as in subsequent KICs' strategic agendas, business plans and reports, and relevant EIT legal framework their delivery of the strategy, main results and impacts from their designation until the end of 2016, including general and specific budget evolution, strengths and weaknesses. This stock taking exercise will also enable the EIT to draw recommendations for improvements both to the EIT and to KICs as well as drawing lessons learnt and identifying good practices to be shared not only with the KICs subject to the review, but also with the other KICs designated in 2014 and 2016. External experts concluded their assessment in Q4 2017 and in the first half of 2018 the EIT will conclude the review, including consultations with KICs.

Set-up the EIT Growth & Impact Fund (GIF)

Following the Decision of the EIT Governing Board at its meeting on 21 September 2017 to take a step back on the launch of the GIF, i.e. possible launch only after 2020, the EIT has been following up KICs' own fund initiatives (only EIT Food and EIT InnoEnergy have advanced plans to launch their own funds) as detailed in the 2018 Business Plans.

In this regard, two external experts were contracted in Q4 2017 to work with the EIT and KICs, as well as external organisations (e.g. EIB/EIF), throughout 2018.

Actions	Indicator	Target	Achievement/results
Monitor implementation of the Principles on KICs' Financial Sustainability	Periodic monitoring on the implementation of the Principles on KICs' Financial Sustainability is carried out	Assessment reports of KICs' financial sustainability strategies by Q3 2017	Completed, in particular the assessment of the 2016 KICs Reports, 2018 Business Plans and KICs updated strategies.
7-year review of KICs	7-year review of KICs carried out assessing their impact, governance, processes and progress towards financial sustainability and developing tools to determine their level of support in the future	7-year review including recommendations finalised and submitted to the GB by Q4 2017	Assessment by external experts done in Q4 2017, finalisation and submission of recommendations to the EIT GB delayed to 2018
Set-up the EIT Impact Fund	Completed the preparation of the impact fund, including the funding conditions, legal framework and investment strategies Procurement procedure is carried out to select investment company	Consultation completed, legal framework, fund documentation and investment strategies prepared by Q4 2017 Launch call in Q3 2017, investment company selected in Q4 2017	The EIT GB decided to postpone the launch of this initiative for after 2020. In 2017 the EIT refined the concept of the Impact Fund and assessed KICs' funds initiatives.

1.3.2. Simplification

The objective of simplification for the EIT is to increase its internal efficiency and to achieve results effectively while maintaining a high level of assurance for the EUR 2.3 billion of EU funds managed in the 2014-2020 period. For this purpose, the Task Force Simplification (TFS) was set up in 2015 to propose improvement measures leading to significant efficiency gains resulting in lower overhead and administrative workload for all sides, and therefore ensuring improved operations and results.

In 2017, the TFS simplified and accelerated the business plan preparation and funding allocation process, as well as the reporting and final grant payment cycle. The EIT in collaboration with KICs, the European Commission and the European Court of Auditors has successfully redesigned its control strategy by reducing the former ‘four layers of auditing’. Contracting auditors directly by the EIT has significantly improved the assurance gained from Certificates on Financial Statements, therefore it allowed the EIT to reduce its own sample for ex-ante analysis. In order to further simplify the audit chain, the European Court of Auditors relies more on the results of ex-post audits carried out by external audit companies hired by EIT, and as such ECA would not double-check cost items themselves.

The application of the standard Horizon 2020 rule as regards the single reimbursement rate concept has been a central point of discussion at the TFS with contribution from the European Commission. This concept has certain complex implications to the EIT-KIC model, however an acceptable agreement has been reached, which is compliant with H2020 and at the same time implementable within the KIC environment.

After having implemented several measures that have considerably reduced complexity and improved the management of EIT funds, the EIT and its KICs shall focus more on results and impact. Therefore, in addition to the usual continuous improvement of the grant cycle processes (business planning, reporting, audits and monitoring), it was agreed that in the future the work of the TFS shall focus on the following priorities, which will contribute to the design of the operational framework and business processes for the post 2020 framework: 1) Multiannual grants; 2) Investment based on results; and 3) Shared services and facilities.

Actions	Indicator	Target	Achievement/results
Identification and implementation of high impact simplification ideas	Implementation of the most promising ideas for simplification	At least three agreed high impact measures on simplification adopted by the EIT-KIC Forum and implemented by the TF simplification by Q4 2017	The Forum adopted the roadmaps for the three high impact measures developed by the TFS (multi-annual grants, investment based on results and shared services and facilities)
		Feasibility study(ies) of selected ‘out of the box’ ideas for simplification completed by Q4 2017	This activity has not been completed but the EIT proposed further simplifications in the Draft Strategic Innovation Agenda for post-2020
		At EIT level, at least three additional efficiency gains implemented by sharing	EIT started a cooperation with the Horizon 2020 Common Support

		services with other Agencies/ EU bodies	Centre; EIT and CEPOL carry out joint procurements, initiated the establishment of a Common staff committee and cooperate in IT matters
	Implementation of the ECA action plan to reduce complexity	At least 90% of ECA action plan implemented by end 2017	Out of four recommendations of the ECA Special Report, the three EIT- led actions are fully implemented (one partially implemented, pending amendment of the EIT Regulation)

1.3.3. Monitoring, Impact Analysis and Evaluation

1.3.3.1. Implementation of the EIT monitoring strategy

Innovation review including the review of IPR

The European Institute of Innovation and Technology finalised the Innovation and IPR Assessment in December 2017. The Assessment was run with the support of external and independent experts and in close collaboration with the European Commission and the Innovation Communities. The outcomes of the Assessment lay fundamentals for further strengthening of the EIT-KICs innovation activities. According to the outcomes of the Assessment, the Innovation Communities manage and monitor innovation activities effectively. There are clear evidences of high value added of the KICs model as innovation delivery mechanism compared with other existing initiatives on the EU and the Member States level. The KICs go beyond administration of funding facilitating a co-creation process and effective market uptake of research results. The KICs are also characterised by a unique ability to be adaptive and responsive to market and societal trends. The EIT model is well positioned to encourage activities that for reasons of market, systems and orientation failure, would otherwise have not been prompted.

The report identified also some areas for improvement for the EIT and KICs. It provided 14 valuable recommendations including the need to increase the transparency of KICs' operation and to focus on the better dissemination of the innovation results. The EIT, based on the outcomes of the Assessment, developed an Innovation Action Plan to operationalise the implementation of the recommendations presented in the Assessment.

Knowledge Triangle Integration (KTI) assessment

Knowledge Triangle Integration is central to the EIT and constitutes the basis for the EIT-KIC model. The goal of the assessment was to better define the concept through taking stock of the current state and identify strengths, weaknesses and good practices. The outcomes of the Assessment enabled the EIT and its KICs to improve their practices and strategies regarding Knowledge Triangle Integration and Co-location Centres. The outcomes of the Assessment also contributed to the work on the EIT's new Strategic Recommendation Agenda.

Implementation of the 2017 monitoring plan in line with the approved EIT monitoring strategy

As envisaged in the EIT Monitoring Plan 2017, altogether 20 monitoring activities were carried out in 2017 and 17 on-site visits were conducted. External experts supported six monitoring activities. The main findings of the monitoring activities can be summarised as follows:

- monitoring activities on verifying KICs' compliance with the EU procurement directives and revision of their procurement procedures resulted in a set of recommendations aimed at strengthening the KICs' internal processes at the level of KIC Legal Entities;
- the business acceleration activities are progressing well and many good practices and potential lessons learnt were identified and followed by the Entrepreneurship Panel;
- the implementation of the EIT RIS activities has been improved significantly following the outcomes of the monitoring activities of 2016;
- the monitoring of management costs resulted in the revision of the guidelines on management costs to better capture operational specifics of KICs' operations;
- monitoring outcomes proved that the cross-KIC activities are on track, despite a difficult start, and already bring tangible benefits; a set of recommendations was developed both for the EIT and KICs to improve the implementation of this concept of strategic importance;
- the monitoring of innovation/ research activities indicated that the activities are in general properly implemented, no serious problems were identified; improvements in the estimation and classification of large-scale infrastructure depreciation costs were recommended;
- the monitoring of the selection process of a KIC CEO indicated that KICs may not always have in place proper HR policies; the outcomes of the monitoring activity suggest that this area should be covered more widely by the monitoring activities in 2018.

The recommendations from the monitoring activities were incorporated in a recommendations repository.

Development of the Business Intelligence tool

In the first part of the year a comprehensive document on lessons learnt about the previous BI tool development and maintenance process was developed and discussed in-house. The document also included recommendations to be taken into account when developing a new BI tool and suggested a way forward. An overall plan on BI development was subsequently designed.

Actions	Indicator	Target	Achievement/results
Innovation review including the review of IPR	Evaluation of KIC innovation actions and identification of good practices in the thematic area	Timely finalisation of the review in Q3 2017	Completed in Q4 2017; final version approved in Q1 2018. Following of finalisation of the review, an Innovation Action Plan was developed and followed up in 2018
Knowledge Triangle Integration (KTI) assessment	Timely completion of the KTI assessment	KTI assessment completed by Q2 2017	The assessment was finalised by the experts in October 2017; the report was internally approved in April 2018
Implementation of the 2017 monitoring plan in line with the approved EIT monitoring strategy	Conduct of risk based monitoring activities by EIT staff	Monitoring plan implemented by Q4 2017 (target: 17 visits)	The Plan was accomplished – 20 monitoring activities were implemented (including 17 on-site visits).
Development of the Business Intelligence tool	Timely development of the EIT-KIC Business Intelligence Tool	Fully-fledged and reliable Business Intelligence tool in place by Q4 2017	The lessons learnt document was prepared which included an overall plan for BI development. The development work has been postponed to 2018 due to other priorities and an overall shortage of HR capacity.

1.3.3.2. Evaluation and impact assessment

Contributing to the two mid-term reviews/evaluation

The independent external evaluation of the EIT that was initiated in 2016 by DG EAC, continued in 2017 with an extensive data collection through surveys, interviews, case studies, and benchmark analysis. Its purpose was to assess the EIT's work as identified in the EIT Regulation and Horizon 2020 Regulation, and in particular examine how the EIT fulfils its mission.

The EIT assessed the inception, interim and draft final **reports** developed by the consultants and provided DG EAC with a set of comments and recommendations with regard to the content. As part of the EIT evaluation, a **public consultation** was launched by DG EAC in August on their page as well as on the website "Your Voice in Europe". We

promoted this via our stakeholder network, website and social media. We also provided the necessary support to evaluators in approaching the KICs for arranging **interviews and surveys of graduates and start-ups**.

The European Commission published the EIT's Mid-term Evaluation Report in October 2017: (<https://eit.europa.eu/newsroom/eit-model-for-european-innovation-says-commission>).

The main conclusions of the report are:

- The EIT is the **only EU body that fully integrates** business, research and education and that this integration is crucial to effectively boost innovation in a pan-European way.
- The EIT **has the potential to be a thought leader** and a source of knowledge and good practice for policy makers and the broader European innovation community.
- The **EIT Community delivers** ground-breaking results, has supported hundreds of start-ups across Europe, enabling growth and innovation, and this will lead to important societal impact through job creation and an economic boost.
- The EIT's existing Innovation Communities **bring innovative solutions to key challenges** in the areas of climate, digitalisation, energy, food, health and raw materials.

In addition to a number of positive conclusions, the Evaluation Report also puts forward five welcome recommendations for improvements as follows:

1. The EIT should work with the European Commission to **streamline the goals** that the initiative is expected to achieve.
2. The EIT should revise its communication strategy with the objective of **increasing stakeholder awareness and knowledge** about the EIT and its results.
3. The EIT should work with the **KICs to improve the transparency** of the process through which innovation projects are selected, and ensure that grant funding outcomes and decision rationales are transparently communicated to applicants and KIC partners more widely.
4. The EIT and the KICs should focus on **using examples of good practice** and results (both in terms of model and impact) as the basis **for policy dialogue** and interaction.
5. The EIT should seek to further influence the development of wider practices by **strengthening links/synergies within the innovation systems at the European, national and sub-national level**. In particular, the EIT should advocate complementary actions that use ESIF (European Structural and Investment Funds) as a means to generate multiplier effects (EIT RIS could be a core mechanism for this).

The results of this evaluation have contributed to the Horizon 2020 mid-term evaluation as well.

The European Commission's Staff Working Document and its Opinion on the Interim evaluation of the EIT further confirmed the **achievements of the EIT and its Innovation Communities**, highlighted in the EIT Mid-term Evaluation Report. The Commission also recognised the importance of the role of the EIT in supporting the Innovation Communities to implement their innovation model. It acknowledged the uniqueness of the EIT model among the EU and Member States' innovation support initiatives in tackling relevant societal challenges through KTI. The Commission also highlighted the following:

- **The EIT and its Innovation Communities contributed to H2020 objectives on “societal challenges” and on “Leadership in enabling and industrial technologies”**
- EIT Innovation Communities **brought solutions closer to the market** and paved the way for industrial and commercial implementation in areas of societal challenges
- The EIT Innovation Communities have been successful in involving the diversity of actors in the knowledge triangle, thus contributing to **reduce the fragmentation in their sectoral ecosystems**
- **The flexibility of the EIT model is suitable** and allows for testing potential new initiatives in the area of innovation support
- **The EIT Innovation Communities’ management costs have been significantly lowered over time**, following the EIT’s efforts to limit their weight on the respective accounts
- **The cross-innovation community interactions**, through the active support of the EIT, have been **steadily increasing**

Finally, the Commission Opinion re-affirmed the recommendations of the independent evaluation and committed the Commission, together with EIT and its Innovation Communities, to:

- **Measure and report more extensively on activities and achievements related to EU policy priorities in thematic areas**
- Further **improve and review the system for monitoring** to better measure and capture results and impact
- **Reduce the administrative burden** for the EIT and its EIT Innovation Communities
- Explore way to further **extent the multi-annuality of the EIT grant agreements**

The publication of this Opinion (in January 2018) formally closed the cycle of the EIT mid-term evaluation. Respectively, the EIT will ensure the follow up of the recommendations from the EC Opinion and the Evaluation Report.

Finalise the EIT-KICs impact analysis

We finalised the impact analysis and published the resultant Impact Study in November 2017 (<https://eit.europa.eu/newsroom/study-says-eit-delivers-impact>). The primary objective of this impact analysis, carried out by external consultants, was to analyse and quantify the **global and European socio-economic impact of the EIT and its KICs**, in particular with respect to society, the economy, education, entrepreneurship, and business creation and development, from 2010 to 2016. It was the first attempt by the EIT to measure its long term impact and positive effects of its activities as earlier reviews, including those by the European Court of Auditors and the Mid-term Evaluation, established that it was too early to measure impact. The final report structures the impact of the EIT Community in five distinctive development phases: 1) Mobilise, 2) Build, 3) Deliver, 4) Recognise and 5) Impact at Scale. It states, inter alia, that the EIT and KICs: have **established a network of trust of more than 800 partners across Europe**, making it one of the largest networked innovation communities in the world; between 2012 and 2014, the number of incubated business ideas more than quadrupled; **the accelerator programmes are recognised to rank among the best in the world in their field**, with EIT Digital’s Accelerator ranked on the 8th place among 579 accelerator programmes in Gust’s Global Accelerator Report 2016; **venture capitalists invested over 600 million euros in EIT Accelerator companies**; more than 9 out of 10 EIT alumni find employment within 6 months of graduation, and that their initial remuneration is suggested to be as high as 15% higher than their cohort non-EIT programme graduates;

18 EIT entrepreneurs were listed in the prestigious 2017 Forbes 30 under 30 Europe list and an independent review has led to renewed award of the EIT Label to various EIT master programmes; as of 2016, **the EIT Community has created, nurtured and supported start-ups that have created an estimated additional 6,100 jobs (FTE).**

In addition, the report contains eight main recommendations to the EIT:

1. Make a sincere effort to align interests with regard to monitoring & evaluation, impact measurement and external reporting between EIT and each of the KICs.
2. Focus on delivering high-quality case studies/success stories, as well as quantitative indicators of specifically societal impact as a first priority.
3. Start tracking the success of alumni.
4. Limit the administrative burden for the KICs and be mindful of “evaluation fatigue”, e.g. by assigning a “data officer” at the EIT to be responsible for all data requests.
5. Explore ways to internally share confidential (business) information.
6. Further stimulate cross-KIC activities and learning.
7. Focus on gaining external recognition.
8. Ensure that all staff working in the EIT and the KICs are aware of success stories, and are able to talk about them on every occasion.

Follow up on the recommendations and outcomes from the above evaluations

The EIT analysed carefully the findings and outcomes of the external evaluation and the impact study and devised an action plan to follow up on the recommendations and suggestions for improvement, the implementation of which was launch in 2018.

Development of the EIT Impact Framework

The external EIT mid-term evaluation and the Impact Study encompassed assessment of socio-economic impacts created by the EIT and its Innovation Communities, of their effectiveness with regard to the EIT general and specific objectives and the fulfilment of the EIT mission. The Impact Study produced a first draft of EIT Impact measurement methodology. The latter includes useful indications of possible impacts and indicators to be expected from KICs. In addition, DG EAC initiated at the end of 2017 an ex-ante Impact Assessment of the Draft EIT SIA 2021-2027 that incorporates an assessment of the socio-economic impacts of full life-cycle of a KIC and beyond with a view to setting up a comprehensive system with relevant and concrete result and impact indicators. Thus the EIT initiative on developing the Impact Framework through consultations with KICs and other stakeholders has been embedded in the ex-ante Impact Assessment process. A draft Impact Framework will be among the main outputs of this assessment and is expected in July 2018.

Actions	Indicator	Target	Achievement/results
Contributing to the two mid-term reviews/evaluation	Timely contribution to the two mid-term reviews/evaluation	The EIT contributions to the mid-term reviews/evaluation completed by Q4 2017	Timely and effective contribution provided. Comprehensive, positive and useful Evaluation Report produced clearly highlighting the EIT achievements and providing recommendations for further improvement.
Finalise the EIT-KICs impact analysis	Timely provision of guidance and assistance to the consultancy firm to finalise the impact analysis	EIT-KICs impact analysis completed by Q2 2017	The impact analysis was completed in Q4 2017 and widely disseminated by the EIT and KICs.
Follow up on the recommendations and outcomes from the above evaluations	Roadmap developed to address systematically the recommendations and outcomes from the evaluations	Roadmap approved and monitoring tool in place by Q4 2017	A comprehensive Repository established integrating and consolidating high-level strategic recommendations from the evaluations, assessments and reviews conducted over the last few years. The recommendations have been analysed with regard to their relevance, priority, content and respective actions and monitoring planned.
Development of the EIT Impact Framework	Developing the EIT Impact Framework in accordance with the respective ToRs in close collaboration with KICs	Draft socio-economic impacts and impact indicators developed by Q4 2017	A draft of the EIT Impact measurement methodology developed as part of the EIT Impact Study. Further development of the Impact Framework embedded in the SIA

			Impact Assessment led by DG EAC.
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1.4. Horizontal activities

1.4.1 Strategy: Co-ordination and implementation

1.4.1.1. EIT Governing Board meetings and EIT management

The EIT provided support to the EIT Governing Board including the smooth running of, and follow up to, Governing Board and Executive Committee meetings as well as GB Working Group meetings and advisory activities to the GB Chairman, Governing Board Members and the Director. For further information on the EIT Governing Board, please, refer to section 2.1.

Actions	Indicator	Target	Achievement/results
EIT internal strategic co-ordination and implementation	<p>Quality of collaboration between the members of senior and middle management measured by the number of meetings in 2017</p> <p>Number of and participation in meetings of the EIT Strategy Working Group</p> <p>Preparation of Strategy Notes on key elements of the EIT/KIC model</p>	Ongoing feedback collection among senior and middle management to assess quality of collaboration and to identify areas of improvement	<p>The EIT Management Team met on a weekly basis, complemented with meetings of Working Groups, ad-hoc project oriented cross-unit meetings as needed and quarterly review workshops</p> <p>The SIA Working Group met four times in 2017, had regular phone calls and prepared the strategy notes that underpin the Draft SIA 2021-2027 submitted to the Commission</p>

Strategic co-ordination and implementation between the EIT HQ and the EIT GB and support services to the latter	Effective preparation and implementation of Governing Board (GB) and Executive Committee meetings, GB Working Groups meetings, Panel and other meetings with GB Members participation including the meeting(s) with the KIC Chairmen	Effective and timely preparation and implementation of at least 4 regular GB meetings, 4 regular Executive Committee (ExCo) Meetings and annual KIC Hearing in compliance with all applicable rules and procedures Selection of 4 new GB members by Q4 2017	Five EIT Governing Board meetings, four ExCo meetings and the annual KIC Hearing organised as planned Selection process to appoint three new EIT Governing Board members completed in Q4 2017. <i>(The appointment of new GB Members by the Commission is expected in Q2 2018.)</i>
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1.4.1.2. Planning, Programming and Reporting

The EIT implemented its annual cycle of planning, programming and reporting processes in compliance with the applicable rules and regulations.

Actions	Indicator	Target	Achievement/results
Planning, Programming and Reporting	Timeliness (preparation and submission) of the documents foreseen in the SPP (Strategic Planning and Programming) cycle, namely Budget, Annual Activity Report, Budget implementation report, Report on budgetary and financial management and Single Programming Document	Budget 2018, Draft budget 2019, AAR 2016, Budget implementation report 2016, Report on budgetary and financial management 2016 produced and transmitted on time EIT Governing Board adopts the Single Programming Document	AAR 2016, SPD 2018-2020, Draft SPD 2019-2021, Budget 2018, Draft budget 2019, Report on budgetary and financial management 2016 adopted by the deadlines foreseen in the EIT Financial Regulation (Draft SPD 2019-2021 adopted and

		2019-2021, Budget 2018 and Draft Budget 2019 by mid-Dec 2017	submitted to the Commission by end-January 2018 respecting the legal deadline)
	Timeliness (preparation and submission) of internal quality reporting	On time delivery of accurate internal reports (ad-hoc, monthly or quarterly) and bi-monthly summary reports for the Commission and GB	Monthly budget execution reports mentioning the deviation to the forecast produced Bi-monthly activity reports for Commission and GB produced
Implementation of the Annual Work Programme	Timely implementation of the Annual Work Programme part of the SPD 2017	95% of activities implemented by Q4 2017	Completed, only a few smaller activities postponed to 2018 (e.g. development of the BI module)

1.4.1.3. Internal control and risk management

From the perspective of internal controls and risk management an important achievement was made at the EIT, as in 2017 the EIT was granted full financial autonomy by the European Commission.

Since June 2011, the EIT had been partially financially autonomous, which meant that the EIT's partner Directorate General at the European Commission (DG Education and Culture) had provided ex-ante verification in two areas: 1) KIC grant management and 2) high-value procurement procedures. The decision to grant full financial autonomy was taken following a detailed assessment of internal controls applied by the EIT.

Actions	Indicator	Target	Achievement/results
Internal Control Standards	Achieves a high level of implementation of Internal Control Standards	100% of internal control standards are implemented by Q2 2017	EIT has been granted full financial autonomy by the Commission based on a comprehensive review of its internal controls (further minor improvements are being implemented in 2018)

Risk Assessment/Risk Management	Critical risks are identified and addressed	Critical risks are identified in the Annual Work Programme and action plans to address them are in place 80% of recommendations from the audit follow up register are closed	Critical risks have been monitored and actions implemented throughout 2017 100% of the recommendations stemming from the Audit on Risk Management were partially implemented
Implementation of the EIT Anti-Fraud Strategy	Timely implementation of the actions foreseen in the EIT Anti-Fraud Strategy	100% actions planned for 2017 implemented by Q4 2017	All actions planned for 2017 were implemented

1.4.2 Internal Communication and work environment

Actions	Indicator	Target	Achievement/results
Internal Communication	Efficient internal communication structures are in place.	> 95% of staff is fully aware of the objectives and activities of the EIT as well as of their own objectives and priorities (survey) All EIT Director's and Governing Board's decisions are communicated to staff	No staff survey was carried out in 2017 (delayed to 2018) All decisions are available on the staff intranet immediately
	Action Plan for Internal Communication and Work Environment is implemented	Regular management and unit meetings take place during the year Staff meetings are organised on a regular basis on the latest updates of the activities	Weekly management meetings and regular unit meetings took place Regular staff meetings organised after each EIT Governing Board meeting (and further information

		<p>performed within the EIT by the different Units and governance bodies</p> <p>Info sessions organised by units on various subject matters of staff interests</p> <p>90% of action plan is implemented by Q4 2017</p>	<p>sessions during the year on an ad hoc basis)</p> <p>Action plan implemented as described above</p>
Conduct staff survey including internal communication	Level of staff satisfaction with internal communications	Increased staff satisfaction by end 2017 compared to previous year	No staff survey was carried out in 2017 (delayed to 2018)

1.4.3 Administrative support

1.4.3.1. Human resources management

Actions	Indicator	Target	Achievement/results
HR Management - Recruitment	Timely and compliant completion of selection procedures	Publication of the vacancy notice within 6 weeks of a vacant post and completion of reserve lists within 3 months from the deadline for applications	8 selection procedures were launched in 2017 from which 6 selection procedures were concluded in 2017. 5 out of these 6 selection procedures did not meet the target of the 3 months (5 months on average).
HR Management - Training	Identification of in-house training courses in the learning and development plan	90% of training sessions provided according to plan	There was one in-house course organised to improve the soft skills of the staff, one technical training and one event to promote staff wellbeing, in line with the training plan.

			Furthermore there were three courses organized by CEPOL where places were offered to EIT staff.
Introduction of SYSPER HR management system	Adoption of the SYSPER system after the analysis and customisation phases	SYSPER in production use by end of 2017	Per ID identification completed by the end of 2017, introduction of SYSPER delayed to 2018.
Implementation of the EIT Traineeships programme	Trainees support. EIT activities and increase knowledge of EIT	At least 10 traineeships successfully completed in 2017	8 trainees successfully participated in the EIT traineeships programme.
Ensure full use of available human resources	Reduction of the vacancy rate	Not more than 5 vacant posts on average	On average compared to the year before, there has been a reduction of the vacancy rate (7.69% at year-end, corresponding to 5 positions) due to simplification of process in recruitment procedures and facilitation of the work of the Selection Committees. Staff turnover rate decreased to 3.36%.
Implement obligations in the EIT staff Regulation	Effective and efficient implementation of provisions under the Staff Regulation	Adopt implementing rules of the Staff Regulation Compliance with all provisions of staff rules and regulations in place Timely completion of appraisal (by Q2) and reclassification (by Q3)	No implementing rules were adopted in 2017. Implemented rules and procedures comply with the staff rules and regulations. The appraisal exercise was completed within the indicative timeline published in the administrative notice in May 2017. The reclassification exercise was completed in Q4 2017.
Ensure the effectiveness of	Staff engagement	At least 60% staff satisfaction based on the result of the staff	No staff survey was carried out in 2017 (delayed to 2018)

human resources policies	Completion of the actions in the IAC action plan	engagement survey Implementation of the action plan resulting from the IAC report	Action plan resulting from the IAC report was partially implemented since there are still some open recommendations to be completed, mainly relating to standard operational procedures.
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1.4.3.2. Finance and Procurement management

The objective of financial and procurement management activities are to ensure sound financial management and legality and regularity of the budget implementation of the EIT.

This was achieved in 2017 through:

- Contribution to accurate budget planning and ensuring that budgetary implementation follows forecasts and makes effective use of resources;
- Providing compliant, effective and efficient financial framework and procedures;
- Providing compliant, effective and efficient procurement system and procedures;
- Providing reasonably assured a true and fair view of the financial position of EIT in all material aspects.

Activity	Indicator	Target	Achievement/results
Implement annual budget	High level of absorption of EIT funds	> 95% of non-grant commitment and payment appropriations absorbed by Q4	Implementation of non-grant related commitment appropriations: 96% (achieved) Implementation of non-grant related payment appropriations: 88% (underachievement, for details see part on budget implementation)
	Legality and regularity of Commitments and payments	For <2 % of non-grant related commitments and payments errors are detected ex post	No errors with financial implications were identified for the financial year of 2017

Procurement	Efficient and effective procurement procedures completed	<p>85% procurement procedures completed in line with the 2017 procurement plan by Q4 (subject to the initiation of the operational units) including 100% of the prioritised procurement procedures</p> <p>Less than 3% of procurement procedures trigger complaints / court cases</p>	<p>Implementation rate of initiated procurement procedures is 99%. Out of the priority procedures the Open call to procure IT related services and Medical services tender was postponed to 2018. As regards all procurement procedures planned in 2017 the rate of finalised procurement procedures is 71%.</p> <p>No complaint as regards procurement procedures, no errors identified.</p>
Management of the financial position of EIT	Timely and correct delivery, compliance and comprehensiveness of the EIT accounts	<p>Submission of final accounts for 2016 by Q2</p> <p>All payments carried out <20 calendar days after receipt and registration of the invoice.</p>	<p>Achieved</p> <p>Not all payments could be carried out in less than 20 days. 8% of payments 2017 were late compared to the 30-day rule in the Financial Regulation (the average delay was 7 days).</p> <p>No late interest was due.</p>

1.4.3.3. ICT, Document Management and Infrastructure

Management of Information and Communication Technologies (ICT)

Throughout 2017, the EIT provided continuous and effective support for IT core business processes and ensured effective and efficient work of EIT staff. The general (e.g. data network operations, help desk, PC/Client support, software support, systems administration and programming, voice communications, Internet access, etc.) and individualised ICT services (e.g. desktop/thin client and mobile computers, Intranet access, remote data access, mobile phones and e-mail management, etc.) were provided smoothly and without interruption of the daily work.

The EIT started revising its IT policies, procedures and documentation. To increase the security in the server room, the fire suppression system was replaced and the replacement of the UPS battery was contracted.

Actions	Indicator	Target	Achievement/results
Provide adequate ICT systems and infrastructure	<p data-bbox="456 405 824 1470">Adequate IT and infrastructure tools available to staff and backup solutions in place</p> <p data-bbox="456 1474 824 1841">Open call for development and maintenance of IT services concluded</p> <p data-bbox="456 1845 824 1890">Hours of continuous downtime of systems minimised and</p>	<p data-bbox="828 405 1141 924">Make general and individualised IT systems permanently available to all staff as required.</p> <p data-bbox="828 928 1141 1134">First and second level support functions effectively</p> <p data-bbox="828 1138 1141 1260">New off-site backup system installed at CEPOL</p> <p data-bbox="828 1264 1141 1386">Conference facility set up for the EIT Governing Board meetings</p> <p data-bbox="828 1390 1141 1512">End-of-life printers, beamers and other IT equipment replaced</p> <p data-bbox="828 1516 1141 1638">New Framework Contract in place by Q4 2017</p> <p data-bbox="828 1642 1141 1841">Maximum one hour downtime of system per incident and <5% of user</p>	<p data-bbox="1144 405 1450 924">Status of the IT systems reported in each of the 4 meetings of the IT Steering Committee held in 2017 including:</p> <ul data-bbox="1144 928 1450 1134" style="list-style-type: none"> - SLA for IT critical systems and minimum reported availability of 98.6% - IT first and second level support tickets compliant with contractual SLA <p data-bbox="1144 1138 1450 1260">Hardware procured and installed but the infrastructure of the connection based on the GEANT network delayed.</p> <p data-bbox="1144 1264 1450 1386">This activity has been delayed to 2018</p> <p data-bbox="1144 1390 1450 1512">Printer replacement postponed to 2018</p> <p data-bbox="1144 1516 1450 1638">Documents of Open Call tenders for IT Services prepared in 2017 and the procurement procedure was delayed to 2018</p> <p data-bbox="1144 1642 1450 1841">No major incidents in 2017 and user requests were fulfilled according</p>

	timely response to individual user requests provided	requests require more than one day to resolve	to SLA as reported to the ITSC. Two building power outages caused a total downtime of 24 hours. 5.99% of the total IT tickets were closed within more than 4 hours.
ICT Governance	Improved IT governance through implementation of existing policies the IT action and audit plan	100% of actions from the IT action plan implemented by Q4 At least 5 meetings of the IT Steering Committee Business owners of IT tools ensure IT tools remain effective Server and client infrastructure fully operational. 99.5 % operability of the systems.	The action plan partially completed. 6 IT documents on policies out of 11 drafted and discussed at the ITSC meetings. One decision has been adopted. 4 ITSC meeting organised Servers Availability Citrix 99.9% DUNA: 99.9% Email : 99.8%
Security	Improved IT security through implementation of the IT action and audit plan	Access management policy implemented EIT IT infrastructure based on thin clients for easier administration and security management.	Revised IT Access management policy adopted in March 2017. An IT Security Strategy Policy was drafted. No security issue was reported by using thin client environment. 80% of the users equipped

		<p>Comprehensive security monitoring in place by installed software packages</p> <p>Security weaknesses identified in CERT-EU reports remedied within two weeks and discussed at the IT SC.</p>	<p>with thin client by the end of 2017, the remaining ones are using notebooks.</p> <p>The Checkpoint Security system was deployed in Q1 and security reporting was operational at the end of 2017.</p> <p>CERT-EU security actions following the vulnerability of Q4 in 2016 were fully implemented in Q1 2017.</p>
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Document Management

Actions	Indicator	Target	Achievement/results
Document Management System	<p>Reliable and comprehensive implementation of DMS</p> <p>Timely revision of Policies and Practices in line with the action plan following the IAC recommendations (DMO, LSO, LISO and DPO related tasks)</p> <p>Introduction of the ARES document management IT system</p>	<p>Comprehensive DMS remains fully operational and updated filing plan and document management related decisions by Q1 2017</p> <p>At least 90% of actions implemented in line with the DMO action plan by Q4 2017</p> <p>ARES IT system introduced and</p>	<p>Kick-off meeting for Hermes-Ares-NomCom (HAN) introduction was held in December 2017: the transition procedure to the comprehensive DMS is ongoing. ARES will be implemented in Q4 2018.</p> <p>IT access management policy and the decision on mailboxes have been prepared. The revision of practices in Document Management is ongoing, in line with the recommendations and</p>

		operational by Q4 2017	according to the plan for the migration to HAN.
Provision of mailing services	Mails expedited timely	Mails sent on the same day	Mails/parcels sent without any delay.
	Incoming mail registered and processed timely in line with policy	Mails received are registered and distributed on the same day	Incoming mails/parcels registered and distributed within one working day.

Logistics and Building Management

Throughout 2017, the EIT provided all staff with a functional, safe and healthy working environment, efficient logistics support, adequate office supplies and a proper level of building security.

As part of the safe and healthy working environment, the EIT organised first aid training and 10 first aid responders have been designated. In addition, the EIT purchased office desks with height adjustment and placed sun protection films on roof windows.

The upgrade and optimisation of office space has been successfully completed without interruption of daily work. New meeting rooms and social areas as well as waiting area for visitors and a storage for internal stock have been established.

The routine administrative tasks (e.g. mail and courier services, stock management for office supplies and furniture, catering for small meetings, general meeting support services, liaison with the facility manager of the EIT landlord, cleaning services, repairs and support, etc.) have been performed effectively and efficiently.

Actions	Indicator	Target	Achievement/results
Asset management	Accurate assets register in line with physical use/storage	Up-to-date ABAC ASSET Inventory with >98% accuracy	All assets were registered in ABAC Assets.
Rationalisation and maintenance of adequate infrastructure	Response time to building and security-related issues	>98 % of building and security related incidents are reported to the external building management within one working day	There were 12 cases (incidents and malfunctions), reported to the facility management of the building within one working day. All incidents reported to the external building manager

	Reorganisation, upgrade and optimisation of the office space	Office space upgraded and optimised by Q4 2017	<p>were closed in the financial year.</p> <p>Office space upgraded and optimised by Q3 2017 without interruption of daily work.</p>
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1.4.4 Internal Audit Capability

Activity	Indicator	Target	Achievement/results
Provision of Internal Audit services	Timely preparation of the IAC audit plan	Audit plan adopted by the EIT GB by March 2017	The GB adopted the 2017 audit plan of the IAC on 14/02/2017.
Provision of Internal Audit services	Timely production and transmission of IAC audit reports	Submission of the reports to the Director and to the Governing Board by end 2017	The reports planned were finalised by the yearend, except for the follow-up previous IAC reports which was postponed to 2018 at the request of the Interim Director. In addition to the planned engagements, the IAC started a consultancy at the request of the Interim Director on the Outsourcing of the Accounting Officer's functions and finalised it in 2018.

PART II

MANAGEMENT

2.1. EIT Governing Board

The 12 members of the EIT Governing Board are appointed by the European Commission, providing a balance between those with experience in business, higher education, and research. They have a four year non-renewable term of office. The EIT Governing Board members act in the interests of the EIT, safeguarding its goals and mission, identity, autonomy and coherence, in an independent and transparent way. The EIT Governing Board is assisted by an Executive Committee composed of four Governing Board members, including the Chairman of the EIT Governing Board, plus an observer from the European Commission. The EIT Governing Board also had three additional members representing the Knowledge and Innovation Communities until September 2016, when the EIT Governing Board decided to propose to the European Commission a modification of the structured strategic dialogue between the EIT Governing Board and KICs. The EIT proposed to the European Commission to replace the permanent Representative Members with more effective means of communication such as inviting the Chairpersons of the KICs for an annual strategic discussions with the EIT Governing Board. In addition, the EIT Governing Board proposed further modifications in the EIT Regulation in particular in the governance structure and decision making process.

In 2017 the EIT Governing Board held four meetings in Budapest and one in Berlin, where the EIT Governing Board members had the chance to visit a Co-location centre of one of the Innovation Communities of the EIT. EIT Governing Board members met the Chairpersons of the Supervisory Boards of the Innovation Communities once in 2017 to discuss strategic orientations of the EIT and its KICs. Based on open calls for expression of interest, a selection process for five new EIT Governing Board members started with aim to appoint the new members in 2018. The EIT Governing Board members took active role in the grant allocation process for the Innovation Communities for the year 2018 by acting as Rapporteurs including meeting the KICs' management teams to follow-up on strategic recommendations made in 2016.

The Executive Committee met four times to prepare the Governing Board meetings. Additional extraordinary Executive Committee meetings were not organised.

Besides active attendance at the EIT Governing Board meetings, EIT GB members took additional roles in promoting the EIT amongst key stakeholders at bilateral meetings. EIT GB Members were also active in representing the EIT with speaking engagements at high level prestigious conferences and events to enhance visibility of the EIT.

The Governing Board adopted 32 decisions in 2017, which can be consulted on the EIT website.

2.2. Major Developments

The release of the EIT mid-term evaluation and the EIT Impact Study showed in 2017 that the EIT has moved from strong potential to actual delivery of results and impact. The mid-term evaluation confirmed that the EIT is the **only EU body that fully integrates** business, research and education and that this integration is crucial to effectively boost innovation in a pan-European way. The **EIT Community delivers** ground-breaking results, has supported hundreds of start-ups across Europe, enabling growth and innovation, and this will lead to important societal impact through job creation and an economic boost. A prime indicator for the emerging success of the EIT was the Forbes magazine that had chosen 18 EIT Community members in their annual 'Forbes 30 under 30' list, featuring the best young innovators, entrepreneurs and game changers from Europe.

Demonstrating both the attractiveness and the openness of the EIT Community, the number of participations in the first five Innovation Communities (EIT Climate-KIC, EIT Digital, EIT InnoEnergy, EIT Health and EIT InnoEnergy) increased to 1,271 by the end of 2017 (an increase of 179 compared to 2016). This is without counting the 50 Partners that set up EIT Food, which successfully completed its Start-up Year in 2017.

The EIT Governing Board allocated a total EIT financial contribution of EUR 400 million for the implementation of KICs' Business Plans 2018, the highest ever in the history of the EIT. As a result of successful simplification efforts and a revised control strategy including centralised contracting of audit companies providing audit certificates on grants, the EIT not only managed to reduce the average Time-To-Grant (154 days for the 2017 grant agreements) but also kept the residual error rate remarkably low (0.95% for the 2016 grant agreements, for which the ex-post audits have already been carried out).

The EIT prepared during 2017 for the launch of the 2018 Call for KIC Proposals in the thematic areas of Added-value Manufacturing and Urban Mobility. The Call was launched on 12 January 2018 and will result in further growth of the EIT Community by the end of 2018.

Throughout 2017, the EIT worked on developing its future strategy for the post-2020 period and submitted its ambitious Draft Strategic Innovation Agenda 2021-2027 to the Commission in December 2017.

The inauguration of the EIT House in Brussels, a shared working space and a place for showcasing the results of the EIT Community, took place on 26 September 2017. Since its opening, the EIT House has become an active place for showcasing the work of the EIT Community. More than 60 events have taken place at the EIT House involving an overall number of participants higher than 1200.

Finally, following a detailed assessment of internal controls applied by the EIT, the European Commission granted the EIT full financial autonomy in December 2017.

2.3. Budgetary and Financial Management

Planning

The EIT's medium-term priorities were specified in its rolling Single Programming Document 2017–2019, which incorporates the annual work programme and financing decision for 2017. The Single Programming Document is

adopted by the EIT Governing Board on the basis of proposals by the EIT Director following the opinion of the European Commission.

Implementation

In 2017, the EIT achieved a very high implementation rate for payment appropriations (99.5%) owing to certain efficiency gains in the workflows and tools installed. The authorised budget for commitment appropriation was implemented at 91.0% that was slightly lower compared to 2016 (94.9%). In 2018, the EIT intends to further improve its budgetary planning, monitoring and implementation processes by 1) simplifying the existing procedures and systems making them more appropriate to the needs of management and staff; 2) providing more guidance and practical trainings for staff members; and 3) steering KICs to ensure a proper planning and monitoring of their budgets. Overall, these measures should contribute to an implementation rate exceeding 95%.

Amendments and transfers

Two budget amendments were adopted by the EIT Governing Board during the 2017 financial year. In addition, three transfers were approved by the EIT Director which was below the limit established by the EIT Financial Regulation.

Carry-over/re-entry from previous financial year(s)

In its decisions on budget amendment No 1 and No 2, the EIT Governing Board decided to re-enter appropriations, which were cancelled in 2015 and 2016, for the financial year 2017.

The decision by the EIT Governing Board concerned the re-entry of commitment and payment appropriations cancelled. Both commitment and payment appropriations re-entered were fully consumed.

Part of the appropriations cancelled in 2015 and 2016 was re-entered in 2017. The remaining part of appropriations cancelled in 2016 was booked on Title 4, where EIT collects cancelled appropriations not needed in the financial year. Title 4 allows to monitor the use of cancelled appropriation and be in line with the derogation for following the three-year rule.

Table 7a – Implementation of commitment appropriations re-entered from 2015 and 2016 to 2017 (C2, C3)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)			Commitments made, EUR (2)	% Committed (2/1)
		from 2015	from 2016	total		
B3-000	KIC grants	9 012 879.42	11 338 321.58	20 351 201.00	20 351 201.00	100.00%
	Total	9 012 879.42	11 338 321.58	20 351 201.00	20 351 201.00	100.00%
B4-001	Cancelled appropriations for year n-1 not used in year n	-	1 459 123.92	1 459 123.92	-	0.00%
	Total	-	1 459 123.92	1 459 123.92	-	0.00%
	GRAND TOTAL	9 012 879.42	12 797 445.50	21 810 324.92	20 351 201.00	93.31%

Table 7b – Implementation of payment appropriations re-entered from 2015 to 2017 (C2, C3)

Budget line	Budget Item Description	Payment appropriations, EUR (3)			Payments made, EUR (4)	% Paid (4/3)
		from 2015	from 2016	total		
B3-000	KIC grants	2 965 301.48		2 965 301.48	2 965 301.48	100.00%
	Total	2 965 301.48	-	2 965 301.48	2 965 301.48	100.00%
B4-001	Cancelled appropriations for year n-1 not used in year n	1 564 179.79	1 617 794.42	3 181 974.21	-	0.00%
	Total	1 564 179.79	1 617 794.42	3 181 974.21	-	0.00%
	GRAND TOTAL	4 529 481.27	1 617 794.42	6 147 275.69	2 965 301.48	48.24%

RAL situation at the end of the financial year

RAL volumes vary considerably. This is a consequence of the time lag between commitment and payment rather than a problem specifically relating to a particular EIT activity. The amount of outstanding commitments as of 31 December 2017 was EUR 77.4 million, which represents a decrease of 22.3% compared to 2016. The decrease is a result of better planning and implementation of activities as well as better monitoring of execution of contracts.

The high amount of RAL is the result of the budget increase for KIC grants. Due to the nature of these grants, and the fact that payment of final balance (an average of 30% of the grant amount) is executed in year N+1, the amount of RAL is, and will always remain, high.

Table 10 – Evolution of RAL, EUR

Budget Title	2017, EUR	2016, EUR	2015, EUR	Change from 2016 to 2017, EUR	Change from 2016 to 2017, %
1 Staff expenditure	168 172.75	195 744.78	142 521.13	- 27 572.03	-14.09%
2 Infrastructure and operating expenditure	252 018.44	393 105.69	353 718.65	- 141 087.25	-35.89%
3 Operational expenditure	76 999 708.27	99 080 598.35	106 207 327.81	- 22 080 890.08	-22.29%
TOTAL	77 419 899.46	99 669 448.82	106 703 567.59	- 22 249 549.36	-22.32%

Management information system

The EIT used the following software during the financial year:

- BLUEBELL for budgetary planning and monitoring;
- ABAC Workflow for budget management, budgetary accounting and contract management;
- SAP for financial accounting (general accounting);
- SPEEDWELL for electronic payment workflow
- Datawarehouse for financial reporting;
- ABAC Assets for fixed asset management;
- MiMa for mission management;
- EIT collaboration platform “DUNA” for submission of KIC business plans and reports.

Reporting

Budget execution was reported to the EIT Management on a quarterly basis with deviations from budget execution targets by budget chapters, thereby identifying mitigating actions if and when needed. In addition, the implementation of the EIT Annual Work Programme was continuously monitored. These allowed for corrective actions to be taken where needed to optimise the utilisation of available human and financial resources. Comprehensive budget reports were made available to the organisation on the EIT Intranet. The allocation of financial resources was reviewed once in July and re-allocations were formulated where required.

2.4. Human Resources (HR) Management

Recruitment

In 2017, the EIT recruited 8 staff members, which brought the total number of staff to 60, for the 65 authorised positions, on 31 December 2017 (an increase by one compared to end-2016) with 7 ongoing selection processes at year-end. The EIT has stepped up its efforts to fill the remaining vacant posts and this trend is expected to continue and lead to full staffing in 2018 as further six staff members joined the EIT in January-February 2018. The recruitment of the EIT staff was in line with the EIT's objectives and priorities as outlined in the Multi-annual Staff Policy Plan of the Institute. It is important to note that by recruiting two Heads of Unit the EIT has filled all middle management posts. The staff turnover ratio had decreased gradually in the past years and was only 3.36% in 2017 (two staff members resigned, while the contract of one SNE expired). The vacancy rate at the end of the year was 7.69% (5 vacant positions for the 65 authorised posts).

In terms of job screening, the majority of posts belong to the operational or neutral activities (60%), whereas the administrative support and coordination roles correspond to 40% of all posts. In total, 39 out of 65 posts have been identified as operational (54%), while 11 posts have been categorised as neutral (11%). In addition, 7 posts (10.75%) are classified in the coordination category and 12 posts belong to the administrative support role (18.5%). In terms of legal basis, the implementing rules on HR have been adopted by the Governing Board. In addition, the EIT Interim Director adopted rules for the management of sensitive functions following the applicable guidance of the Commission.

Re-organisation

The EIT Governing Board adopted in its meeting held on 23 March 2017 the establishment of the fourth unit: 'Strategy & Impact', effective as of 1 November 2017.

Within the context of the internal re-organisation of the agency, a decision on the harmonisation of the job titles at the EIT (Decision 29/2017) was adopted by the EIT Interim Director along with a complete revision of the job descriptions within the agency.

Learning & development

In the area of learning and development, in order to offer benefits to the individuals and the organisation as a whole, in-house training sessions on Ethics & Integrity, Project management, Writing with impact, Expenditure lifecycle,

Diplomatic Protocol related events were organised, in addition to a team building activity and courses attended individually by staff members on external locations.

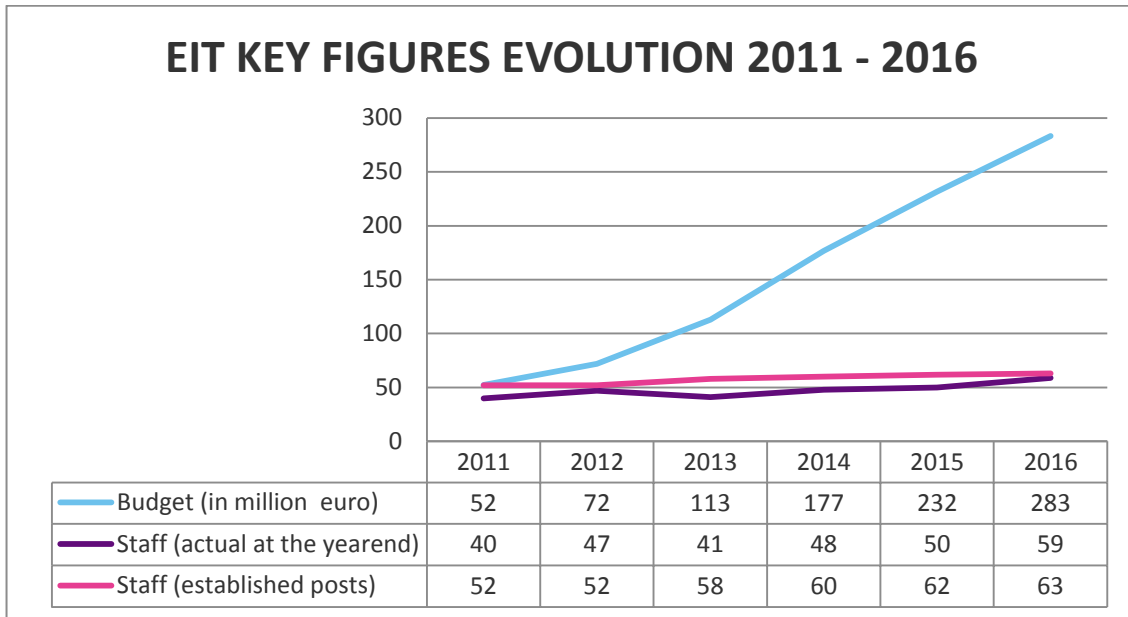
Structural under-staffing

Despite the EIT's efforts to achieve full staffing, the following structural problems have impeded the EIT from achieving its full potential since its inception.

- 1) **Structural under-staffing of the EIT:** As confirmed by the European Court of Auditors in Special Report 4/2016 on the EIT, published on 14 April 2016, the amount of grant managed per person at the EIT is significantly higher than for any other EU research grant programme. While the budget managed per staff member under FP7 is between 12.5 and 20.4 million euro, EIT project officers manage annual grants up to 90 million euros. This is without considering the monitoring of the complementary funding of the Knowledge and Innovation Communities, as the EIT finances a maximum of 25% of a KIC's budget.
- 2) **Structural "under-grading" of posts at the EIT:** The grades of staff at the EIT are systematically lower than the average grades in other EU agencies. For example, while the average grade of Heads of Administration is AD 12 in other EU agencies, the Head of Administration has an AD 9 grade at the EIT. The EIT has only one staff with a grade above AD 9 (the EIT Interim Director/Chief Operating Officer) and only two posts allocated above AD9 – a unique and unsustainable situation for an EU body managing EUR 2.4 billion. The low grades at the EIT seriously hamper the recruitment and retention of talented staff and are a reputational risk for both the EIT and the EU as inadequate resource allocation hampers the achievement of operational results and assurance of sound financial management.
- 3) **No possibility to offer permanent contracts:** Pursuant to the provisions of the EIT Regulation, the EIT personnel shall be employed under fixed-term contracts. The lack of permanent contracts and resulting job insecurity add to the difficulties experienced in staff retention.
- 4) **Low correction co-efficient applied to salaries:** The correction co-efficient is still relatively low (75% in 2017), while the cost of living in Budapest, in particular as regards housing costs, has increased significantly over the last years. Staff departing have repeatedly quoted in exit interviews the unattractive salary package as one of the main reasons for leaving the EIT.

The European Court of Auditors pointed out in their most recent annual audit report¹⁰ on EIT that, despite the increase in the budget from 309 million euro (2008-2013) to 2.4 billion euro (2014-2020) and in the number of KICs from three to six at the end of 2016, the Institute's authorised number of posts did not change significantly. According to the Court, **"this gives rise to a clear risk that the Institute will not have sufficient capacity to deal with the expanded workload"**. The report of the European Court of Auditors illustrates the risk as follows:

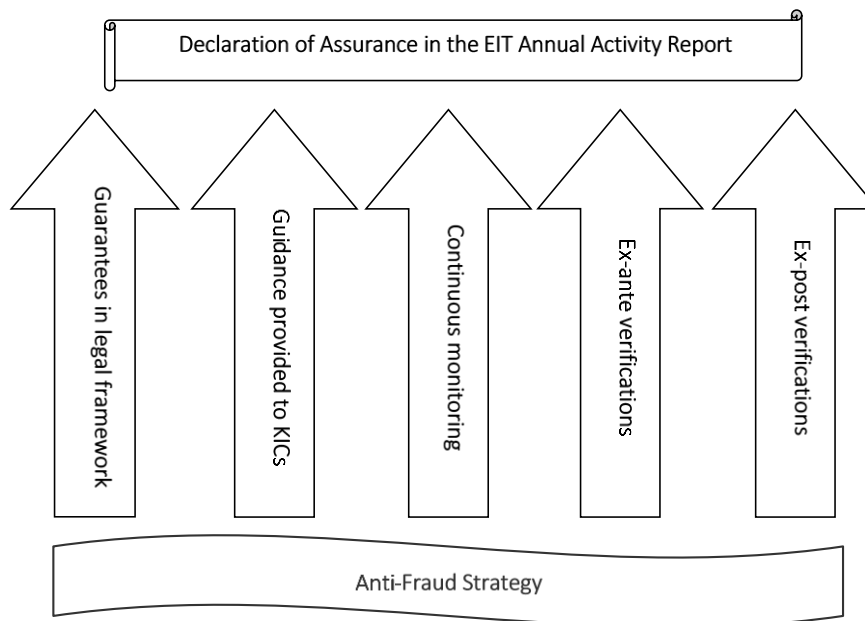
¹⁰ https://www.eca.europa.eu/Lists/ECADocuments/EIT_2016/EIT_2016_EN.pdf



In order to address the structural problems identified above, and **to be able to effectively carry out new tasks entrusted to the EIT and to manage the growth of existing tasks, the EIT's staffing capacity needs to be reinforced in the coming years.**

2.5 Assessment by Management

The Grant Assurance strategy adopted in 2016 remained in force in 2017, relying on the following building blocks of assurance:



Ex-ante measures applied to grant transactions

The EIT consistently carries out ex-ante verification of both commitment and payment transactions. To ensure full compliance, any changes in the H2020 legal framework and model agreements are taken over by the EIT and incorporated in the Framework Partnership Agreements (FPA) and Specific Grant Agreements (SGA) signed with KICs. In 2017, numerous guidelines were made available providing detailed instructions to KICs, for example Guidelines on the preparation of KIC Business Plans and Budgets (Grant Agreements 2018), Guidelines for the preparation of KIC Reports (Grant Agreements 2016) and guidelines for the EIT funded part of KIC management costs. To avoid compliance issues, any doubts as regards interpretation of the legal provisions are regularly discussed with KICs as part of the EIT-KIC Forum and Task Force Simplification meetings. Furthermore, the EIT falls under the scope of the H2020 Participant Guarantee Fund which is an additional overall financial risk mitigating measure.

In 2017, final balance payments were executed for closing the SGA 2016 with five KICs. The EIT performed the technical and financial assessment of all final reports to assess the adequacy of the implementation of Business Plans and to establish the final balances due. In line with its EIT's Grant Assurance Strategy, in terms of cost eligibility the EIT relies mostly on Certificates on Financial Statements (CFS) issued by independent auditors. The CFS methodology is fully aligned with H2020, as stipulated in annex of the Specific Grant Agreement. However, contrary to other H2020 programmes, CFS auditors were contracted directly by the EIT and not by grant beneficiaries, which improved quality and provided a higher level of assurance. All exceptions and weaknesses identified by CFS auditors were followed up with KICs during the ex-ante assessment process, which led either to the acceptance of the costs reported following the receipt of further supporting evidence, or alternatively cost rejections made by the EIT. In addition, the EIT performed an analytical review of information received as part of the cost reports and when necessary, follow up questions and requests for supporting documentation were sent to KICs. The EIT also checked the respect of thresholds of EIT funded part of KIC management costs; any excess detected led to cost rejections.

Based on positive experience about previous monitoring of procurement procedures of EIT InnoEnergy, the EIT conducted similar monitoring activities to all other KICs in 2017. As outcome, the EIT made targeted recommendations and requested KICs to revise their procurement policies and procedures. Finally, KICs' compliance with good governance principles laid down in the SGA is monitored on a continuous basis.

Details of the expenditure/partner coverage for the 2016 grant are shown in the following table:

	EIT Climate-KIC	EIT Digital	EIT InnoEnergy	EIT Health	EIT Raw Materials	Total
EIT grant request (MEUR)	70.3	64.6	71.6	20.1	17.9	244.5
EIT grant approved and paid (MEUR)	70.0	64.6	71.6	18.9	16.8	241.9
EIT grant approved and paid (% of grant requested)	99.6%	100.0%	100.0%	94.0%	93.9%	98.9%
EIT grant covered by CFS (MEUR)	54.7	52.6	56.4	11.2	10.9	185.7
EIT grant covered by CFS (%)	77.7%	81.4%	78.7%	55.7%	61.0%	76.0%
Number of partners / linked third parties claiming EIT grant	185	107	213	90	103	698
Number of partners / linked third parties covered by CFS	35	45	24	17	14	135
% of partners / linked third parties covered by CFS	18.9%	42.1%	11.3%	18.9%	13.6%	19.3%

Taking into consideration the high coverage and the generally good quality of CFSs, combined with the analytical review carried out by the EIT and additional checks on KIC management costs, it can be concluded that the assurance provided by the EIT ex-ante assessment as regards the legality and regularity of grant expenditure is reasonable.

Ex-post verification of grants

To obtain reasonable assurance on the legality and regularity of expenditure reported by the KICs and with a view to detecting and correcting errors, the EIT has developed and implemented an ex-post audit strategy. This complements ex-ante controls embedded in the KICs grant management processes.

Ex-post audits of cost reports relating to EIT-KIC SGAs are performed by an external service provider selected using a Framework Contract of the European Commission. The audit methodology has been devised by the EIT based on the H2020 standard audit programme with EIT specific elements added. The external auditor carries out on-the-spot audits and reports to the EIT on the results. For the SGA 2016, 27 KIC Partners (8 for EIT Climate KIC, 8 for EIT Digital, 6 for EIT InnoEnergy, 3 for EIT Health and 2 for EIT Raw Materials) were selected for ex-post audits. In order to ensure representativeness, the KIC partners in the sample were selected by applying monetary unit sampling method. As a second stage, for each partner a sample of 6 cost items was selected for testing, which was extended to a larger sample in case of those KIC partners who did not have to submit CFS as part of the ex-ante verification. The sampling was done in collaboration with the European Court of Auditors, who relies mostly on the results of ex-post audits when drawing its opinion on the legality and regularity of grant implementation by the EIT.

The ex-post audit process was initiated in August 2017, on-site visits took place in November and December 2017, and the whole process was completed in May 2018. The audited grant covered 8.6% of the total grant paid for the SGA 2016. As a result of the ex-post audits, the detected error rate equals to 0.98%. The residual error rate after ex-ante and ex-post controls is 0.95%, which is below the materiality level of 2% established in the EIT's control strategy. As a conclusion, the EIT considers that grants paid as part of the 2016 SGAs are free from material errors.

Exception reporting, analysis of internal control weaknesses or control failures recorded

In 2017, the EIT followed its standard operating procedure on exception reporting. All instances of overriding controls or deviations from established processes and procedures are documented in exception reports. Instances of non-compliance events are documented in non-compliance reports.

In 2017, two exceptions and five non-compliance events were registered. All events were individually assessed and corrective measures to prevent the repetition of the non-compliance or exception event were taken. Where applicable, procedures were modified. The events registered do not appear to be of systemic nature.

The total value of non-compliance events registered was EUR 2,250 and the financial impact of the exceptions amounted to EUR 5,318,720.75 (2016: EUR 5,654,245). It must be noted, the relatively high financial impact of the exception gives rise to a limited financial risk only, as they relate to administrative unclarities that occurred at the planning phase for KIC grant agreements related to the participation of third parties. The non-compliance events for 2017 concerned minor administrative errors in using provisional budgetary commitments and an HR matter.

Mitigating measures have been put in place to address the internal control weaknesses identified in the exception reports and non-compliance events registered during 2017. For instance, the EIT continuously updates and improves its financial circuits, workflows, checklists and routing slips. Furthermore, the EIT is implementing an action plan to address remaining weaknesses following DG EAC's assessment of the EIT's control systems in the framework of granting the EIT full financial autonomy.

Fraud prevention and detection

In November 2015 the Governing Board of the EIT approved its Anti-Fraud Strategy and the related action plan. The Anti-Fraud Strategy was adopted for the period 2015-2017.

The overall objective of EIT's Anti-Fraud Strategy adopted in 2015 was to improve prevention, detection and the conditions for investigation of fraud, and to pursue adequate deterrence and reparation, with proportionate and dissuasive sanctions.

The majority of the actions foreseen in the action plan of the Anti-Fraud Strategy have been fully implemented within the assigned deadlines. An anti-fraud coordinator was appointed in 2015 as one of the actions of the action plan ensuring that the Agency's approach to managing the risk of fraud kept the pace with anti-fraud related developments, best practices, and legislative requirements.

The actions scheduled were mainly focused on fraud prevention and on setting a fraud-proof environment within the Agency. This was pursued mainly through raising anti-fraud awareness among staff, via compulsory anti-fraud training

course for staff members and induction sessions to newcomers and Governing Board members as well as regular staff surveys on fraud prevention and detection.

In 2017, the EIT-KIC's Antifraud Network on fraud prevention and detection was established. This network is composed of contact points from each of the KICs. This action is focused on ensuring the proper implementation of the provisions on fraud foreseen under the Framework Partnership Agreements (FPA) and the Specific Grant Agreements (SGA). The establishment of the EIT-KIC's Network should facilitate the exchange of best practices and to reinforce the cooperation in this field between the KICs and the EIT by the adoption of necessary measures to provide reasonable assurance of achieving prevention and detection of fraud and irregularities.

During 2017, the EIT has continued its cooperation with OLAF by reporting immediately to OLAF suspected fraud behaviours and providing any information requested by OLAF on possible irregularities and cases of fraud. Furthermore, the EIT has exchanged best practices with the other EU Agencies on anti-fraud matters, for example through the Anti-Fraud Working Group within the Inter Agency Legal Network, whose aim is to enhance harmonised and standardised approaches to anti-fraud strategies among the EU decentralised Agencies. The Anti-fraud Strategy is currently under revision. OLAF dismissed two cases in the course of 2017 and there is only one open enquiry as of the date of this report, which started in 2016.

2.6 Assessment of audit results during 2017

2.6.1 Internal Audit Service (IAS)

The IAS finalised the Audit on Monitoring of Grant Agreements on 29 November 2017 and concluded that although the framework for the monitoring process of KICs is adequately designed, with internal procedures for selecting, reporting and following-up monitoring activities, the objective setting and the methods of implementation of this framework need further improvement. In particular, the effectiveness of the process for assessing whether the KICs comply with the good governance principles of the Framework Partnership Agreements (FPA), in force since 2016, needs to be significantly strengthened. In that respect, the IAS identified one Very Important issue, which the EIT needs to address as a matter of priority: The KICs have not received clear and precise instructions on how to report on the implementation of good governance principles from the FPA. Therefore, the EIT based its review on self-assessments by the KICs that were incomplete and of variable quality. In addition, the EIT did not sufficiently substantiate its conclusions in the assessment of the KIC annual reports for 2015. It is not clear what checks were performed or what criteria were used to decide on the KICs' compliance with the good governance principles. Although certain risks relating to the KICs governance structure, in particular on potential conflicts of interest, were known to the EIT, these were not systematically covered during its review. The EIT assessment refers only to a part of the good governance requirements and, for certain aspects covered such as the policy on conflicts of interest, the assessment lacks detail. In some cases, the EIT failed to conclude formally in its evaluation on whether or not a specific aspect was complied with that would justify how the overall compliance was established. Finally, the EIT did not provide systematic feedback on its preliminary assessment of good governance to the second-wave KICs. Furthermore, contrary to its plans in its 2016 Work Programme, it did not prepare an assessment report summarising best practices and recommendations to KICs in the field of good governance.

In addition to the very important issue outlined above, the audit identified three other important issues, detailed in the body of the report, related to the implementation of the monitoring process in general.

The Interim Director accepted all recommendations and prepared an action plan for their implementation. The actions are being implemented in the course of 2018.

2.6.2 Internal Audit Capability (IAC)

Annual Audit Plan 2017

The IAC sent its risk-based draft 2017 Annual Audit Plan, to the EIT Audit Committee and EIT Interim Director for comments on 23 December 2016. The EIT Governing Board approved the plan on 14 February 2017.

Execution of the plan

The IAC started four assignments in 2017, including three planned in the Annual Audit Plan and an additional Consultancy on the Potential Outsourcing of the Accounting Officer's Functions, proposed by the Interim Director. The IAC finalised two reports within 2017, including the Validation of ABAC Access Rights and Consultancy on the Entry and Exit of KICs Partners. The finalisation of the follow-up to IAC recommendations was postponed to 2018 at the request of the Interim Director. The IAC finalised the Consultancy on the Potential Outsourcing of the Accounting Officer's Functions in 2018. During its assignments, the IAC issued 28 new recommendations and the EIT Interim Director accepted all of them. Overview of very important recommendations from the respective IAC reports:

Consultancy on the Entry and Exit of KICs Partners:

- The EIT should define methodology for the assessment of the effect of the Framework Partnership Agreements' (FPA) amendments.
- The EIT should clarify the effect on eligibility of the mismatch between the lists of entities in the amended Business Plans and between the FPAs.
- The EIT should develop a process and procedure for dealing with termination of KIC partners in compliance with the FPA.
- The EIT should ensure that participation in the partnership of organisations active in the knowledge triangle of higher education, research and innovation is and remains appropriately balanced.

Consultancy on the Potential Outsourcing of the Accounting Officer's Functions:

- The EIT should outsource the Accounting Officer's functions to DG BUDG, including both accounting and treasury services.
- The EIT should define and implement a written policy/procedure for the re-entering of unused appropriations and outturn-calculation. This should ensure, in particular, that the process becomes fully transparent and that the reconciliation of the EIT's account with the Commission's accounts goes efficiently and without recurrent problems in the future.

Validation of ABAC Access Rights:

- The ABAC Local Authorisations Manager should correct ABAC access rights in line with the decisions of the Authorising Officer

Key Performance Indicators (KPIs)

The KPIs for the Internal Audit Capability were set by the decision of the GB adopting 2017 Annual Work Programme for the EIT as follows:

Indicator (as per AWP)	Target (as per EIT AWP)	Comment
Timely preparation of the IAC audit plan	Audit plan adopted by the GB by March 2017	Target achieved.
Timely production and transmission of audit reports	Submission of the reports to the Director and to the GB by end-2017	The finalisation of 2017 follow-up report was postponed to 2018 at the request of the Interim Director. Target achieved ¹¹ .

2.6.3 European Court of Auditors (ECA)

Financial (discharge) audit on year 2016

The European Court of Auditors completed its financial audit on the EIT's annual accounts for 2016 and **issued an unqualified audit opinion** in October 2017. This means that, in the opinion of the auditors, payments underlying the accounts for the year ended 31 December 2016 were legal and regular in all material respects.

Nevertheless, and without qualifying their opinion, the Court referred to significant shortcomings detected in the procurement processes of two KIC Legal Entities (EIT InnoEnergy and EIT Climate-KIC). The EIT agreed that the procurement processes of the two KIC Legal Entities had weaknesses in the audited year (2015 grants). However, the EIT recognised this issue and carried out a pilot monitoring activity on the procurement procedures of Innovation Communities and corrective actions are under implementation.

Moreover, the Court pointed out that, despite the increase in the budget from 309 million euro (2008-2013) to 2.4 billion euro (2014-2020) and in the number of KICs from three to six at the end of 2016, the Institute's authorised number of posts did not change significantly. This gives rise to a clear risk that the Institute will not have sufficient capacity to deal with the expanded workload (see also chart in section 2.4).

¹¹ The consultancy on the outsourcing of accounting was beyond the 2017 plan and was finalised in 2018.

Based on the unqualified audit opinion and the proposal from the Budgetary Control Committee, the European Parliament granted discharge to the Interim Director of the EIT following a vote in the plenary session on 19 April 2018.

Financial (discharge) audit on year 2017

The European Court of Auditors carried out two audit missions at the EIT in the context of auditing the EIT's annual accounts for the financial year 2017. The second audit mission took place in April 2018 and the final audit report is not available as of finalising the present Annual Activity Report.

Follow-up to performance audits

Special Report No 4/2016 of the European Court of Auditors entitled "*The European Institute of Innovation and Technology must modify its delivery mechanisms and elements of its design to achieve the expected impact*" was published on 14 April 2016. The EIT and Commission agreed on a detailed action plan to address the Court's recommendations. The action plan was endorsed by the EIT Governing Board in its meeting on 2 June 2016.

Recommendation No 1: The Commission should propose an amended EIT legal basis to the European Parliament and Council, revising the EIT's funding model.

"The KIC activities not funded by the EIT should not be included in the calculation basis when determining the EIT'S financial contribution to the KICs, as was the case in the original 2008 legal basis establishing the EIT. Removing the 25 % funding condition would alleviate much of the operational and financial reporting burden of the KIC partners. The leverage effect should be measured to demonstrate the EIT's success in attracting additional funding for innovation."

Acting on the recommendation of the Special Report, the EIT Governing Board reviewed the EIT Regulation in 2016 and **sent a request for amendment to the European Commission** on 22 February 2017. In line with the audit recommendation, the EIT Governing Board suggested to remove Article 14 (6) of the EIT Regulation, which states that 'The EIT contribution shall not, on average, exceed 25 % of a KIC's overall funding'.

In the second part of the recommendation, the Court of Auditors stressed that the leverage effect should be measured to demonstrate the EIT's success in attracting additional funding for innovation. In this respect, it is important to note that EIT and KICs generate leverage in four different ways:

- 1) Non-EIT funds provided and attracted for the financing of KIC complementary activities, i.e. thematically linked education, research and innovation activities carried out by the KIC Partner organisations;
- 2) Non-EIT funds provided and attracted for co-financing of KIC added-value activities, i.e. education, research, business creation and innovation activities in the Business Plans of and carried out by the KICs;
- 3) External investment attracted by start-ups created and/or supported by KICs;
- 4) Revenues generated by KICs.

While the first two sources of funding are captured in the standard annual financial reporting of KICs, based on Horizon 2020 templates, the EIT developed its own tools to measure the effect of the other two, in line with the audit recommendation as follows.

The EIT initiated a **comprehensive review of the existing Key Performance Indicator (KPI) system** with the aim to promote the use of results and impact KPIs already during the audit. This review resulted in a set of 11 new EIT core KPIs to be used for the planning and reporting and monitoring of KIC activities starting in 2017. The following new KPIs were approved by the EIT Governing Board, where **KPI No 5 measures the external investment attracted by start-ups**:

- 1) Graduates from EIT labelled MSc and PhD programmes
- 2) Start-ups created by Graduates from EIT labelled MSc and PhD programmes
- 3) Start-ups created as a result of innovation projects
- 4) Start-ups supported by KICs
- 5) Investment attracted by ventures that receive/have received KIC support
- 6) Products launched on the market (aligned with Horizon 2020)
- 7) Success stories submitted to and accepted by EIT
- 8) External participants in EIT RIS programmes
- 9) Budget consumption of KICs
- 10) Error rate of KICs
- 11) Financial sustainability of KICs

In addition, the KICs further developed their financial sustainability strategies, while **the EIT further developed its tools for measuring the revenues generated by KICs (i.e. the fourth source of leverage)**.

Financial sustainability of KICs is a unique ambition of the EIT-KIC model and it is one of the most challenging aspects of the EIT's mission. While this was a distant objective for KICs in the past, they have now made this ambitious and unique goal one of their main strategic objectives. 2016 was the first full-year cycle when KICs implemented their Financial Sustainability strategies in line with the Principles on KICs' Financial Sustainability adopted by the EIT Governing Board in 2015. The EIT not only provided guidance to KICs but introduced a dedicated template for KICs to report on the achievement of financial sustainability targets. Furthermore, a dedicated annex to the 2017 Business Plans was for the first time introduced in 2016, where KICs explain revenue forecasts across a range of activities (e.g. ROI and equity, Education, Services & Consulting, Alternative Funding Sources). Some of the Innovation Communities already provide significant co-funding to finance their activities and generate substantial revenues compared to their budget. For example, EIT Digital provided 26% co-funding (or 23 million euro) to finance their KIC added-value activities in 2016, in addition to reporting more than 200 million euro of KIC complementary activities carried out and financed by their Partner organisations. Another example is EIT Health that collected over 6 million euro in revenues in their first year of operations, a substantial sum compared to the total EIT funding received (ca. 19 million euro).

Recommendation No 2: The EIT grant agreement (a) should cover a longer period than the calendar year and (b) should be signed before the start of the activities.

"A longer time perspective would not only offer greater legal and financial security for the KIC partners but would also further consolidate the innovation activities in line with the multiannual strategy adopted by the KICs. It would also ease the administrative burden by reducing the annual reporting of the KIC partners and would facilitate the assessment of the KICs' performance over a longer period of time. Signing the grant agreement in due time would allow the legal and financial continuity of the KICs' innovation activities, thereby preventing a 'stop-go' situation."

It is important to note that **the Commission and the EIT accepted the recommendation partially** and undertook to explore to what extent it is possible to further extend multi-annuality that is already strongly in-built in the EIT-KIC

model (e.g. the main tool for contractual relationships between EIT and KICs are the 7-year Framework Partnership Agreements and attached to them are the KICs' Strategic Agendas that are being implemented by annual Business Plans).

Following a detailed legal and technical analysis, supported by the Commission services, the EIT and KICs agreed jointly that **introduction of multi-annual grant agreements is not feasible in the current Multi-annual Financial Framework (2014-2020)** due to major operational constraints and lack of real added value. Pre-condition for a genuine multiannual cycle is the possibility of committing grants which could cover costs of activities for multiple years. This is not possible under the current EU multiannual financial framework, as the EIT receives commitment appropriation on an annual basis, i.e. the EIT cannot commit amounts for years n+2 and n+3 that have not yet been voted to it by the Budgetary Authorities. However, multi-annual grant agreements should be feasible to introduce for the post-2020 period, provided that commitment appropriations for the EIT budget are also allocated in multi-annual tranches. The EIT had formulated its budget request in the Draft Strategic Innovation Agenda for post-2020 accordingly, which was officially submitted to the Commission in December 2017.

As regards the second part the recommendation, the EIT developed and implemented a plan in order to reduce the time lag in the signature of annual grant agreements. The reengineered and efficiently managed grant allocation process **resulted in a significant reduction in time-to-grant and led to a timely signature** of the 2017 grant agreements with KICs. The EIT signed the 2017 grant agreements by mid-February 2017 with four of the five KICs and transferred the pre-financing payments corresponding to 70% of the EIT grant awarded by end-February 2017.

Recommendation No 3: The EIT should refocus its approach to delivering impact.

“To that end, it should seek greater autonomy and make use of the flexibility in Horizon 2020’s legal basis. In particular, it should adopt specific rules tailored to the needs of the KIC partners. The EIT should resolve its staffing issues to enable it to continuously monitor KICs’ performances. The EIT should urgently obtain its financial autonomy, as the original target set by the European Commission was 2010. Granting more autonomy to the EIT can only boost its leadership capacity, a prerequisite for this public scheme to be successful. Moreover, the EIT should better reflect its mission statement and become an impact-driven institute by tailoring its own rules. Filling vacant posts and stability in senior management are essential.”

In order to address the need to reduce complexity, a **Task Force Simplification was set up by the EIT and KICs** in 2015 with the objective to propose improvement measures leading to significant efficiency gains resulting in lower overhead and administrative workload for all sides and therefore ensuring improved operations and results.

Furthermore, the **EIT has adopted several specific rules tailored to the needs** of the KIC Legal Entities and Partners, while also ensuring compliance with the Horizon 2020 legal framework.

In particular, special IPR (Intellectual Property Rights) and liability provisions were adopted as part of the Framework Partnership Agreements signed in 2016. Rules for the management and overhead costs for KIC Legal Entities were issued in 2016 and tailor-made rules for the eligibility of capital expenditure were introduced in the Grant Agreements 2017. KICs also proposed simplified costs to the Task Force Simplification, which were then adopted by way of a Commission Decision in December 2016.

Another measure called ‘first time right reporting’ was tested as part of the 2015 KIC reporting and EIT report assessment exercise in 2016. Face-to-face resolution meetings were scheduled with each KIC as part of the process, with the aim to discuss and conclude on outstanding issues, which reduced the scope and necessity of further follow-up work, and as a consequence shortened the time needed for the approval of KIC Reports and execution of final balance payments (i.e. leading to shorter time-to-pay).

Numerous new or updated guidelines have been issued, for instance on the entry and exit of KIC partners, business plan amendments, business planning and KIC reporting. Each time a consultation process took place with KICs in the framework of the Task Force Simplification.

The EIT has streamlined and improved the audit certification process via direct contracting of audit companies by the EIT starting with the 2016 grant agreements. With the purpose to optimise the audit chain and eliminate overlaps among different layers of audit throughout the grant cycle, the EIT decided to increase the assurance obtained from the first level of control by improving the quality of Certificates on Financial Statements (CFS). Instead of requesting beneficiaries to procure and contract CFS auditors, the EIT directly contracted two audit companies in 2016 to carry out CFS audits in Q1 2017 in relation to costs declared under the 2016 grant agreements. This has reduced the perceived administrative burden on KIC Partners and made the EIT-KIC model more attractive to industry and business participants, while increasing the level of assurance obtained at the same time.

The **EIT has essentially achieved full staffing** through a series of measures (e.g. appraisal and reclassification system in place) that were implemented in the last three years and substantially improved the staff management, recruitment process, reduced staff turnover and improved the work environment. A staff survey completed in early 2017 showed a strongly improved staff satisfaction compared to the past. As of 31 December 2017, 60 of the 65 authorised positions were filled with further six new staff taking up duties in January-February 2018. This is a significant improvement compared to the situation as of year-end 2015 when the EIT employed 50 staff. The staff turnover has reduced significantly to less than 5% in 2017, as only two staff resigned and one SNE’s contract ended. The EIT Director position remains vacant and is filled on an interim basis. Following the cancellation of recruitment procedure in 2017, the Commission will re-launch the procedure as soon as possible.

In line with this audit recommendation, the **EIT took urgent steps to obtain its financial autonomy**. As part of the financial autonomy process, the EIT completed and submitted to the Commission a detailed self-assessment questionnaire in October 2016. The Commission carried out a fact-finding visit at the EIT in January 2017. Based on the result of the Commission’s assessment of the implementation of the internal control standards by the EIT and due to the significant improvements made in the past years, the Commission **granted full financial autonomy to the EIT with effect from 1 January 2018**.

Recommendation No 4: The EIT should develop impact-based analysis. The EIT should also streamline its monitoring and reporting processes.

“The Court welcomes the EIT’s decision to review its indicators in 2015 by implementing a new key performance indicator management system. This should be aimed at measuring the impact of each KIC as the current processes do not allow a detailed analysis of the achievements of the activities financed by the EIT. In particular, the impact of the innovation activities is currently undemonstrated. Furthermore, to enhance the monitoring process and to better fine-tune financial analysis (especially for SMEs and the management costs of the KICs), the EIT should consider standardizing the financial reporting processes across all KICs.”

In line with the above recommendations the **EIT has introduced new KPIs** (see above) **and updated its Monitoring Strategy**.

By decision of 34/2015, the EIT Governing Board adopted the **EIT Monitoring Strategy**, which is the fundament for a robust information and evidence base that enables the EIT to lead and manage its operations and produce results and impacts. Furthermore, to enhance the monitoring process and to fine-tune financial analysis, the **EIT standardised the financial reporting processes across all KICs** (see above as part of the ‘first time right reporting’ measure).

In order to better demonstrate the impact of the innovation activities, **the EIT launched in October 2016 an impact study** and an analysis on the global and European impact of the EIT and its KICs from 2010 to 2016. The objective of the impact study has been to identify and describe the main factors through which the EIT and its KICs have economic and societal impact and in particular demonstrate how: 1) The EIT and its KICs add value to Europe’s economic growth, competitiveness and society at large, including the global dimension; 2) Impactful and novel is the innovation ecosystem for Europe as proposed by the EIT and its KICs’ societal challenges are addressed by the EIT.

The impact study confirms that the EIT Community has already started to deliver economic impact all over Europe. As of 2016, the EIT Community has created, nurtured and supported start-ups have created an estimated additional 6,000 jobs, implying that for each job at the EIT Community, it has created 14 jobs in the wider economy. As these start-ups show potential to evolve into mature companies, economic impact is likely to expand in coming years. The EIT Community has gained recognition for what it is delivering. The EIT model was recognised outside Europe, with stakeholders in Australia replicating the model for the establishment of Climate-KIC Australia. KIC partners acknowledge that the EIT Community has positively impacted their innovation capacity and culture. In addition, the accelerator programmes attract an increasing number of start-ups, with EIT Digital’s Accelerator ranked on the 8th place among 579 accelerator programmes in Gust’s Global Accelerator Report 2016 in number of start-ups accelerated. Moreover, venture capitalists expressed confidence in the commercial potential of the EIT Community’s entrepreneurial activity by investing over EUR 600 million in start-up companies coming out of the EIT Community incubators and accelerators.

As of today, the EIT and the Commission have implemented most of the actions stemming from the recommendations of the ECA Special Report and is on track to implement the only open action.

- **Recommendation No 1 is partially implemented** with the proposed amendment of the EIT Regulation expected to be submitted by the Commission to the legislative authorities in 2018, while a deeper revision will be part of the post-2020 multi-annual financial framework.
- **Recommendation No 2 is considered as fully implemented** for the period 2014-2020. The introduction of multi-annual grant agreements is part of the EIT’s draft Strategic Innovation Agenda for the post-2020 multi-annual financial framework.
- **Recommendation No 3 is considered as fully implemented.**
- **Recommendation No 4 is considered as fully implemented.**

Notwithstanding the implementation of the audit recommendations, the EIT plans to further streamline its model and strengthen its impact. To prepare for the **EIT’s future as an integral part of European innovation landscape and to better serve Europe as its largest Innovation Community**, the EIT has developed its next Draft Strategic Innovation Agenda for post-2020. Some of the concepts planned for the future include the introduction of multi-annual grants, allocating EIT ‘investments’ into KICs based on results, strengthening cross-KIC collaboration, developing shared services and

facilities for KICs and introducing a common outreach agenda. The EIT believes that the planned measures will lead to increased societal and economic impact, while ensuring efficient and effective operations at the same time.

Special Report No 12/2016 “Agencies’ use of grants: not always appropriate or demonstrably effective” was published on 21 April 2016. The audit concluded that agencies audited, including the EIT, in general awarded and paid grants in compliance with the rules. However, the Court has made five recommendations to all agencies for improvements in the way agencies manage grants. The EIT has accepted the relevant and applicable parts of all five recommendations and has implemented them as reported in the Annual Activity Report for 2016.

2.7 Follow up of IAC recommendations and action plans for IAC audits

The below table provides an overview of the implementation status at the time of the issuance of this report of those critical and very important IAC recommendations, which were open at the end of 2017:

Audit report	Brief description of recommendations	Rating ¹²	Original deadline	Revised deadline	Implementation status as of May 2018
Audit on Risk Management	1. Implement the risk management process throughout the EIT	VI >> I	End-2012	End-2017	Partially implemented, remaining part downgraded from Very Important to Important.
Audit on Risk Management	2. Develop a comprehensive risk register for KIC Grant Management	C >> I	End-2012	End-2017	Partially implemented, remaining part downgraded from Critical to Important.
Audit on Risk Management	3. Develop and implement a risk management action plan for grant management	C >> VI	01/2013	End-2017	Partially implemented, remaining part downgraded from Critical to Very Important.
Audit on Risk Management	4. Develop a comprehensive risk register for the procurement process	VI >> I	End-2012	End-2017	Partially implemented, remaining part downgraded from Very Important to Important.
Audit on Risk Management	5. Develop a comprehensive risk register for information technology	VI >> I	End-2012	End-2017	Partially implemented, remaining part downgraded from Very

¹² C=critical, VI=very important, I=important

					Important to Important.
Audit on Risk Management	6. Implement a management and internal control system for the prevention and detection of fraud	C >> I	Q1 2013	End-2017	Partially implemented, remaining part downgraded from Critical to Important.
Audit on Risk Management	7. Annual Work Program	VI >> I	Q1 2013	06/2017	Partially implemented, remaining part downgraded from Very Important to Important.
Audit on Monitoring of Activities	1. Implement a continuous and systematic monitoring process for the KICs	C	11/ 2013	06/2017	Implemented.
Audit on Monitoring of Activities	2. Definition of smart objectives and racer performance indicators	C >> VI	End-2014	06/2017	Partially implemented, remaining part downgraded from Critical to Very Important.
Audit on Monitoring of Activities	3. Information needs analysis	C >> I	04/2013	06/2017	Partially implemented, remaining part downgraded from Critical to Important.
Audit on Monitoring of Activities	4. Single IT system or database providing reliable and complete information on KICs, KIC grants and KICs' projects	C >> I	End-2013	End-2017	Partially implemented, remaining part downgraded from Critical to Important.
Audit on Document Management	1. Organisation of Document Management	VI	End-2016	End-2017	In progress
Audit on Document Management	2. Registration, reception, attribution and approval of documents	VI	End-2016	End-2017	In progress
Audit on Document Management	3. Filing and retrieving documents	VI	End-2016	End-2017	In progress

Audit on Document Management	4. Archiving, storage, protection and destruction of documents	VI	09/2016	End-2017	In progress
Audit on IT	1. Introduce IT Disaster Recovery Plan	VI	12/2017	-	In progress
Audit on IT	2. Strengthen IT security	VI	07/2017	-	In progress
Audit on IT	3. Formalise user account management	VI >> I	11/2017	-	Partially implemented, remaining part downgraded from Very Important to Important.
Audit on IT	4. Mitigate dependency on contractor	VI	10/2017	-	In progress
Audit on IT	5. Introduce an IT project management methodology	VI	10/2017	-	In progress
Audit on IT	6. Formalise data management	VI	09/2017	-	In progress

2.8 Follow up of observations from the Discharge authority

In response to the European Parliament decision of 27 April 2017 on discharge in respect of the implementation of the budget of the EIT for the financial year 2015, the EIT informed the Discharge Authority of follow-up actions taken and progress made in respect of observations made by the European Parliament on 18 October 2017. In particular, the following actions have been taken in order to address the observations of the European Parliament.

A whistleblowing policy had been drafted and sent to the EDPS for prior check before its adoption by the Governing Board of the EIT. The policy will contain a channel for anonymous internal reporting.

In July 2017, the EIT adopted a new policy on the selection of independent external experts. The new EIT expert policy addresses the implementation of Article 89 of the EIT Financial Regulation regarding the sources of selection, the treatment of recommendations; provides for conflict of interest criteria adapted to the EIT's activities, as well as a methodology on the assessment of conflict of interest situations. Furthermore, the new EIT expert policy lays down rules for defining the basis of expert selection including pre-selection and selection criteria, defines the procedure and methodology for expert selection, establishes an expert rotation and monitoring system, ensures compliance with data protection rules and transparency of the use of experts by the EIT. Thereby, the new expert policy provides a comprehensive framework guaranteeing transparency and integrity of the expert selections at the EIT. By means of foreseeing rules adapted to the EIT context, ensuring predictability and standardising internal procedures, it also contributes to improving the efficiency and effectiveness of the expert selection process.

The EIT established the legal basis for using simplified cost options in supporting EIT labelled degree programmes (both master and doctoral) within the education area, such as the EIT Digital Master's programme. The respective unit costs and lump sums are set out in Commission Decision No C(2016)8298. This means that most of the activities and costs can already be reported based on simplified costs. With the aim of making a more extensive use of the options, the Education Panel composed of educational experts both from the EIT and KICs will further discuss possibilities for a wider use of simplified costs. In addition, the intention is to expand the use of simplified cost options also to other areas beyond education. Furthermore, the EIT started to develop the concept of moving towards results-based investments as part of the post-2020 EIT funding model.

As regards the visibility of EIT, significant progress has been made in 2016 and 2017, from increased media coverage to social media coverage as a result of strengthened EIT communications actions (see section 1.2.2.1). The EIT has also increased its participation in external events, ensuring the Institute is able to reach a wider audience and is engaging more actively with stakeholders. In addition, the EIT is currently updating its external communications strategy. The updated communications strategy will support the EIT Community in enhancing and building brand reputation and visibility for EIT Community activities and achievements within the EU, national, regional and local innovation landscape and raise the level of EIT awareness and understanding amongst relevant stakeholder groups.

PART III

ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS

3.1. Risk management

EIT uses the principles and main elements of the European Commission's risk management methodology. In light of the risk associated with the EIT's activities, the risk management exercise is performed yearly, covering all EIT activities. The identification and monitoring of risks is done based on the Standard Operating Procedure on Risk Management, which is fully in line with the applicable guidance of the European Commission.

The 2016 risk register review identifying the most significant risks in the EIT's register was followed up in 2017. The EIT risk register follows the template recommended by the Commission and risks are categorised on the basis of the Commission risk typology. The EIT risk register contains the actions planned to address the risks, including who should perform them as well as the target dates for completion. The implementation of the action plan was monitored throughout 2017 to ensure it continued to be effective and relevant. To this end, the EIT risk register and action plans are reviewed by the EIT Management on a regular basis and in particular as part of the preparations of Annual Work Programmes and Annual Activity Reports. Moreover, in 2015, the EIT Interim Director put in place a consolidate audit register, which is reviewed on a quarterly basis and maps all outstanding audit recommendations with deadlines and actions required to address them.

As the grants awarded to the KICs represent the largest share of EIT's operational budget (above 90%), an adequate identification and management of the risks associated with the KICs' planning and implementation of their Business Plans is crucial. The revised EIT grant assurance strategy in particular contributes to the improved assurance in this critical area (see more details in Section 1.1.1.1).

Specific risks associated with the management of grants are at the level of the EIT and KICs.

At the level of KICs:

- Inherent risks linked to the multiplicity of organisations and systems, involved in diverse operations;
- Inherent risks related to the relationship between the KIC LE and its partners and the governance of KICs;
- Inherent risk deriving from the start-up phase of new KICs;
- Inherent risk deriving from the complexity and nature of KIC added-value activities;
- Risks related to the fact that the quality and accuracy of the certificates on financial statements produced by external parties is not always satisfactory.

At the level of the EIT:

- Risks related to the reliability of the KICs' internal control systems;
- Risks related to the limited staff capacity at the EIT.

These risks have been mitigated by:

- Guarantees built into Grant Agreements provisions;
- Continuous guidance provided to KICs in terms of performance and financial matters, including improved Business Plan and Reporting guidelines;
- Close follow-up of the implementation of the KICs' added-value activities;
- Ex-ante verifications such as the assessment of performance and cost reports;
- Ex-post verifications;
- Development of a comprehensive monitoring strategy, an annual monitoring plan and reviews on priority issues;
- Increase of EIT staff capacity;
- Establishment of a process to review, update and improve all EIT procedures;
- Task Force for Simplification developing measures to improve efficiency and effectiveness of grant management;
- Principles of good governance included in the Specific Grant Agreements.

For further details on risk mitigating actions implemented in 2017, please, refer to Annex VII.

3.2. Compliance and effectiveness of Internal Control Standards (ICS)

The EIT's compliance with the Internal Control Standards was assessed thoroughly by the European Commission in 2017. As a result, the European Commission granted EIT full financial autonomy.

No risks were considered to be critical, in particular, inherent risks which relate to the nature of innovation programmes are independent of the functioning of EIT, so periodic fluctuations in the error rate or non-systematic negative findings by the ECA are not considered to put into question the ability of EIT to function well on an ongoing basis.

For further details on the state-of-play of compliance with Internal Control Standards, please, refer to Annex VII.

No	Title	Description of weakness and risk	Potential impact	Mitigating action under way
1	Grant assurance and EIT staff resources	Grant management at the level of KICs is controlled by the EIT's grant assurance strategy. However, in the past a number of weaknesses and errors have been detected in the financial and operational reports by KICs. This has led	The four risk factors mentioned taken together (KIC management and control systems, inherent risk in innovative activities, EIT staffing and contractual constraints) will mean that there is a high	Significant steps have been taken by the EIT to address the errors and identified weaknesses and the control systems are improving, as confirmed by the unqualified audit opinions of the European Court of Auditors for the financial years 2014

		<p>the Court of Auditors to issue a qualified opinion on the legality and regularity of transactions at the EIT for the financial years 2012 and 2013 and 2015. There is a risk that the EIT will not be able to maintain the level of error rates below 2% in the future for the following reason:</p> <ul style="list-style-type: none"> - New KICs are being created and although they take on board lessons learnt, at least during the early stages of a KIC life cycle when it is being set up and until it reaches full maturity, errors due to learning processes and time required to set up control systems are likely to occur. - Innovation activities are inherently risky and have an in-built likelihood of failure and require flexibility. They cannot be planned and delivered with the same level of risk as other programmes. A higher level of errors and exceptions is therefore part of the operations and has to be accepted. - EIT staffing capacity remains limited due to the structural understaffing of the EIT, which is recognised by 	<p>likelihood of qualified opinions by the European Court of Auditors. This can in turn lead to the fact that the European Parliament may not grant the discharge to the EIT and reputational damage occurs, which prevents the EU from supporting the EIT with the necessary resources to reach its ambitions and objectives.</p> <p>With the same or even a decreasing number of resources and in the light of an increase in its budget and number of KICs, the EIT cannot maintain its checks and risks an increase of error rates.</p> <p>Moreover, other operational activities will have to be decreased creating negative operational and reputational impact for the EIT, as it will not be able to develop its institute role.</p>	<p>and 2016 and by the full financial autonomy having been granted to the EIT in 2017.</p> <p>The revision of the EIT grant assurance strategy, the implementation of the good governance principles for KICs, development of procedures and various other measures leading to efficiency gains have further contributed to reach and maintain a relatively high level of assurance and low error rate.</p> <p>The European Commission has been asked to address the structural understaffing of the EIT and provide for more resources in the establishment plan. These requests were declined.</p> <p>The EIT also asked the European Commission for an amendment of its Regulation including the provisions concerning staff contracts in 2016. The EIT has no confirmation that this amendment will be adopted in 2018 as planned.</p> <p>The EIT can take further measures to ensure core functions are maintained, for example through further efficiency gains, an increased use of interimaire staff, trainees, external experts and outsourcing of some tasks.</p>
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		<p>its Governing Board, the Internal Audit Service of the Commission and the European Court of Auditors. However, requests for the EIT to significantly increase its staff capacity beyond the foreseen posts allocated in the current financial perspective have been declined by the Commission. This means that the level of control and checks, and subsequent assurance that can be reached may be lower than that of other EU programmes and Agencies, which have more adequate staffing compared to the budgetary amounts and operational complexity of programmes managed.</p> <ul style="list-style-type: none"> - A series new risk emerged considering that amendment of the EIT Regulation which would offer the EIT the possibility to conclude indefinite staff contracts has not been adopted as planned. The EIT will lose up to 11 key staff if the amendment is not adopted soon. Such a substantial exodus of competent and experienced staff 		<p>However, these measures have limitations in their scope and effectiveness.</p> <p>Finally, if the request for additional resources is not granted, the EIT will have to reduce non-core activities in 2019.</p>
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		cannot be compensated by new recruitments.		
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PART IV

MANAGEMENT ASSURANCE

4.1 Review of the elements supporting assurance

The information reported in Parts II and III derives from the results of the management supervision of activities and audit observations contained in the audit reports listed. These reports are based on a systematic analysis of the evidence available. This approach provided sufficient guarantees as to the completeness and reliability of the information reported and ensures a complete coverage of the EIT budget.

In conclusion, the management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Interim Director of the EIT, in his capacity as Authorising Officer has signed the Declaration of Assurance. Nevertheless, the EIT Interim Director wishes to draw attention to an emerging critical risk concerning the limitation of the EIT's staffing capacity that gives rise to significant risk as to the legality and regularity of future grant payments and the EIT's ability to achieve its strategic objectives set out in its Strategic Innovation Agenda for 2014-2020.

4.2 Overall conclusion on assurance

The information reported in Parts II and III does not result in any major issues meriting a reservation as regards 2017 expenditure in the EIT's accounts.

Nevertheless, as indicated in section 3.2 above, there is an inherently higher risk level of the EIT that can only be addressed through the full implementation of mitigation measures. As some of these measures are under the control of other institutions than the EIT, the EIT Interim Director cannot reduce this critical risk to an acceptable level and fully ensure that the EIT reaches its objectives without the indicated measures being implemented by these institutions.

As explained in sections 2.4 and 3.2, the EIT has been structurally under-staffed to perform its tasks as confirmed at various occasions by the European Court of Auditors. This means that the level of control and checks, and subsequent assurance that can be reached may be lower than that of other EU programmes and Agencies, which have more adequate staffing compared to the budgetary amounts and operational complexity of programmes managed.

A new risk emerged considering that the requested amendment of the EIT Regulation which would offer the EIT the possibility to conclude indefinite staff contracts has not been adopted as planned. There is a risk that up to 11 staff will leave in 2019-2020 if the EIT cannot offer contract extensions to the staff that reach the current 10-year limit of fixed term contracts. This means that EIT risks to have ca. 10-20% less staff in 2019 than planned in its Draft Single

Programming Document for 2019. This comes at a critical moment as the EIT will launch two new KICs, has a significantly increased budget and should prepare for an enhanced mandate and strengthened Institute role under Horizon Europe.

Despite its structural under-staffing, the EIT has been able to achieve lower error rates than the average for the Horizon 2020 up to now due to its improved grant assurance strategy relying on thorough ex-ante and ex-post verifications as well as continuous guidance provided to its beneficiaries (KIC Partners). However, with the sharp increase in the number of grant beneficiaries (above 1,000 as of end-2017 and growing), the EIT may not be able to maintain the same level of controls and hands-on guidance without increasing the number of staff working on grant management activities and risks an increase in error rates.

The alternative course of action for the EIT is to reduce or stop other operational activities, creating negative operational and reputational impact for the EIT, as it will not be able to achieve its objectives set out in the Strategic Innovation Agenda for 2014-2020.

The European Commission has been asked to address the structural understaffing of the EIT and provide for substantially more resources in the establishment plan. These requests were declined. The EIT also asked the European Commission for an amendment of its Regulation including the provisions concerning staff contracts in 2016. The EIT has no confirmation that this amendment will be adopted in 2018 as planned.

The EIT will take further measures to ensure core functions are maintained, for example through further efficiency gains, an increased use of interimaire staff, trainees, external experts and outsourcing of some tasks. However, these measures have limitations in their scope and effectiveness. Consequently, a residual error rate below the materiality level of 2% cannot be guaranteed in future years.

DECLARATION OF ASSURANCE

I, the undersigned,

Interim Director of the European Institute of Innovation and Technology

In my capacity as authorising officer

Declare that the information contained in this report gives a true and fair view.

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the ex-ante assessment, ex-post controls, the work of the internal audit capability, the observations of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the institution.

Budapest, 29 June 2018

Signed

Martin Kern

ANNEXES

Annex I: Validated EIT core KPIs (Grant Agreements 2016)

EIT core KPI		EIT Digital	EIT Climate-KIC	EIT InnoEnergy
1	Attractiveness of the education programs: EIT Labelled	2	3	6.25
2	Number of graduates: EIT labelled degrees	158	90	155
3	Business ideas incubated	221	363	93
4	Start-ups/Spin-offs created	12	36	22
5	Knowledge Transfer and Adoption	186	144	49
6	New or Improved Products/Services/Processes	77	89	22

Annex II: Statistics on financial management

Breakdown and changes in commitment and payment appropriations per chapter:

		COMMITMENT APPROPRIATIONS				
Chapter		Appropriations adopted, EUR	Modifications (transfers and AB), EUR	Re-entered, EUR	Assigned revenue, EUR	Total, EUR
11	Staff in active employment	4 457 000.00	-663 690.00			3 793 310.00
12	Recruitment expenses	35 000.00	-5 000.00			30 000.00
13	Mission	220 000.00	25 000.00			245 000.00
14	Socio-medical infrastructure	150 280.00	-53 800.00			96 480.00
15	Training	80 000.00	-14 300.00			65 700.00
16	External staff and linguistic support	421 000.00	-29 700.00			391 300.00
17	Representation	3 900.00	0.00			3 900.00
Title 1 - Total		5 367 180.00	-741 490.00	0.00	0.00	4 625 690.00
20	Building and associated costs	112 850.00	-19 110.00			93 740.00
21	Information and communication technology	217 600.00	18 930.00			236 530.00
22	Moveable property and associated costs	83 500.00	-61 000.00			22 500.00
23	Current administrative expenditure	280 400.00	15 000.00			295 400.00
24	Publications, information, studies and surveys	7 000.00	-4 500.00			2 500.00
25	Meeting expenses	327 190.00	-137 190.00			190 000.00
Title 2 - Total		1 028 540.00	-187 870.00	0.00	0.00	840 670.00
30	Grants	303 258 722.00	2 797 282.22	20 351 201.00	1 058 890.90	327 466 096.12
31	Knowledge and Innovation Communities	2 690 000.00	-147 912.00			2 542 088.00
32	EIT's impact	2 088 750.00	-173 000.00			1 915 750.00
33	Simplification, monitoring and evaluation	1 807 500.00	-1 564 500.00			243 000.00
Title 3 - Total		309 844 972.00	911 870.22	20 351 201.00	1 058 890.90	332 166 934.12
TOTAL		316 240 692.00	-17 489.78	20 351 201.00	1 058 890.90	337 633 294.12
40	Cancelled appropriations not used in year n	0.00	1 459 123.92			1 459 123.92
Title 4 - Total		0.00	1 459 123.92	0.00	0.00	1 459 123.92
GRAND TOTAL		316 240 692.00	1 441 634.14	20 351 201.00	1 058 890.90	339 092 418.04

		PAYMENT APPROPRIATIONS				
Chapter		Appropriations adopted, EUR	Modifications (transfers and AB), EUR	Re-entered, EUR	Assigned revenue, EUR	Total, EUR
11	Staff in active employment	4 457 000.00	-663 690.00			3 793 310.00
12	Recruitment expenses	35 000.00	-5 000.00			30 000.00
13	Mission	220 000.00	25 000.00			245 000.00
14	Socio-medical infrastructure	150 280.00	-53 800.00			96 480.00
15	Training	80 000.00	-14 300.00			65 700.00
16	External staff and linguistic support	421 000.00	-29 700.00			391 300.00
17	Representation	3 900.00	0.00			3 900.00
Title 1 - Total		5 367 180.00	-741 490.00	0.00	0.00	4 625 690.00
20	Building and associated costs	112 850.00	-19 110.00			93 740.00
21	Information and communication technology	217 600.00	18 930.00			236 530.00
22	Moveable property and associated costs	83 500.00	-61 000.00			22 500.00
23	Current administrative expenditure	280 400.00	15 000.00			295 400.00
24	Publications, information, studies and surveys	7 000.00	-4 500.00			2 500.00
25	Meeting expenses	327 190.00	-137 190.00			190 000.00
Title 2 - Total		1 028 540.00	-187 870.00	0.00	0.00	840 670.00
30	Grants	318 647 095.00	-24 484 217.38	2 965 301.48	1 058 890.90	298 187 070.00
31	Knowledge and Innovation Communities	2 938 500.00	-802 322.00			2 136 178.00
32	EIT's impact	1 822 750.00	-700 000.00			1 122 750.00
33	Simplification, monitoring and evaluation	600 500.00	-177 000.00			423 500.00
Title 3 - Total		324 008 845.00	-26 163 539.38	2 965 301.48	1 058 890.90	301 869 498.00
TOTAL		330 404 565.00	-27 092 899.38	2 965 301.48	1 058 890.90	307 335 858.00
40	Cancelled appropriations not used in year n	4 520 339.39	-1 338 365.18			3 181 974.21
Title 4 - Total		4 520 339.39	-1 338 365.18	0.00	0.00	3 181 974.21
GRAND TOTAL		334 924 904.39	-28 431 264.56	2 965 301.48	1 058 890.90	310 517 832.21

EIT revenue collected, EUR

Income line header	2017	2016	2015
European Union subsidy, EFTA and third party contribution	303 311 492.98	263 554 082.96	227 017 581.00
Contribution by the Host Member State	0	0.00	1 560 000.00
Other revenue from administrative operations	12 172.25	4 583.70	7 547.64
Surplus, balances	6 147 275.69	7 065 708.31	1 564 522.98
Repayment of KICs grants incurred as a result of an ex-post audit	1 058 890.90	431 827.42	263 239.16
TOTAL	310 529 831.82	271 056 202.39	230 412 890.78

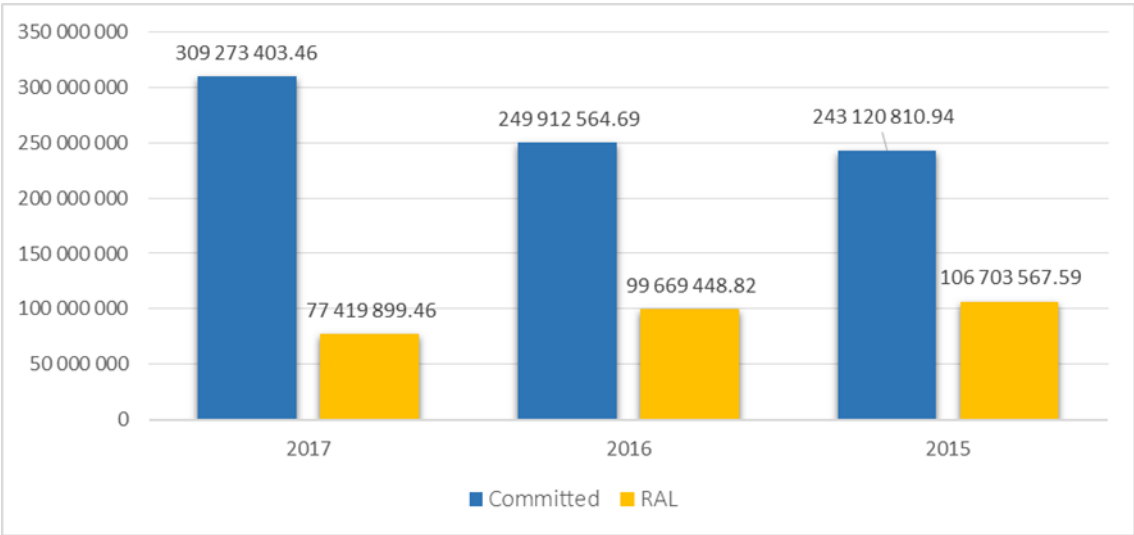
Comparison of budget execution for commitments, EUR

Budget Title	2017	2016	2015
1 Staff expenditure	4 537 165.82	4 164 316.62	3 776 915.96
2 Infrastructure and operating expenditure	710 563.51	973 458.87	807 497.27
3 Operational expenditure	283 242 645.71	244 774 789.20	238 536 397.71
TOTAL	288 490 375.04	249 912 564.69	243 120 810.94

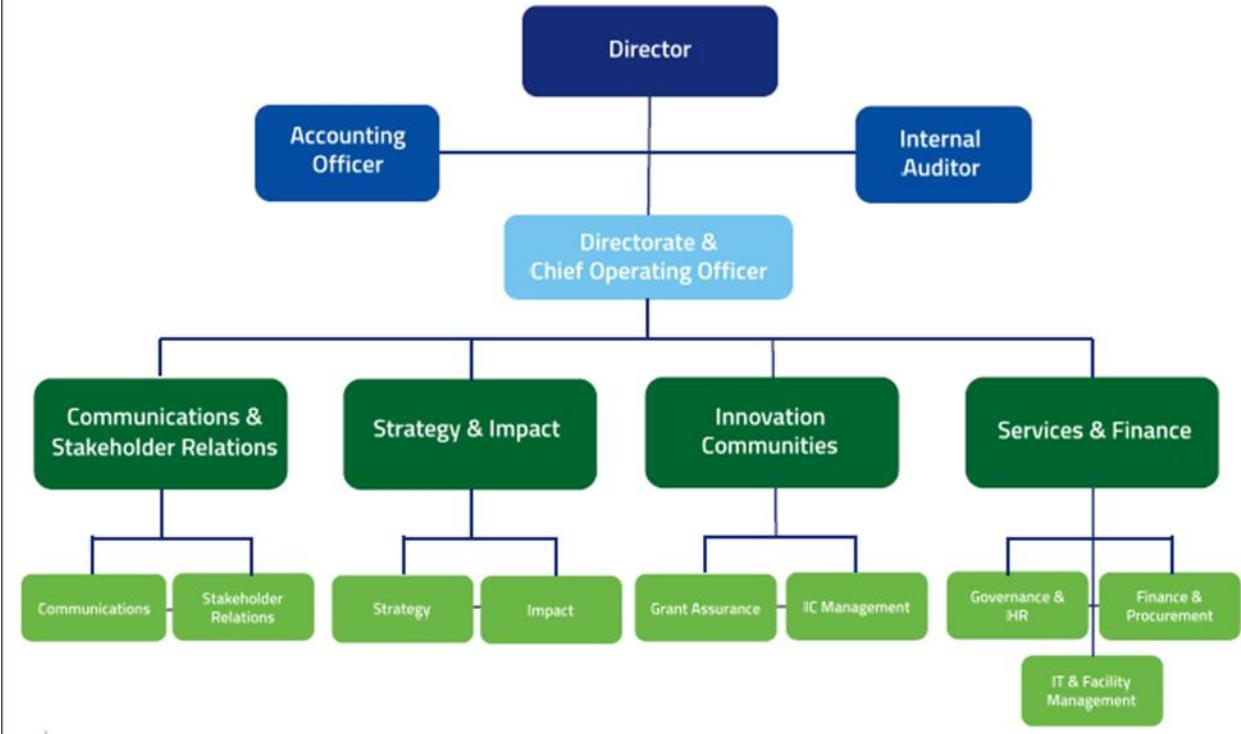
Comparison of budget execution for payments, EUR

Budget Title	2017	2016	2015
1 Staff expenditure	4 368 993.07	3 968 571.84	3 634 394.83
2 Infrastructure and operating expenditure	458 545.07	580 353.18	453 778.62
3 Operational expenditure	297 645 870.91	256 803 096.75	218 206 460.23
TOTAL	302 473 409.05	261 352 021.77	222 294 633.68

Comparison of committed and RAL amounts for financial years 2014, 2015 and 2016, EUR



Annex III: Organisational chart in 2017



Annex IV: Establishment Plan and additional information on Human Resources management

Establishment Plan:

Category and grade	Establishment plan 2017		Actually filled as of 31 December 2017
	Officials (n/a)	Temporary staff (TA)	Temporary staff (TA)
AD 16			
AD 15			
AD 14		1	
AD 13			
AD 12			
AD 11		1	1
AD 10		1	
AD 9		8	8
AD 8		5	6
AD 7		13	8
AD 6		7	11
AD 5			
Total AD		36	34
AST 11			
AST 10			
AST 9			
AST 8			
AST 7			
AST 6			
AST 5		1	1
AST 4		3	2
AST 3		1	1
AST 2			
AST 1			
Total AST		5	4
AST/SC 6			
AST/SC5			
AST/SC4			
AST/SC3			
AST/SC2			
AST/SC1			

Total ST/SC			
TOTAL		41	38

Category	Authorised 2017	Actually filled as of 31 December 2017
Contract staff (CA)		
FG IV	6	4
FG III	10	11
FG II	6	5
FG I		
TOTAL	22	20
Seconded national Experts (SNE)	2	2
TOTAL	24	22

a) Information on the entry level for each type of post

Key functions	Type of Contract (TA, CA)	Function group, grade of recruitment	Indication whether the function is dedicated to administrative support or operations
CORE FUNCTIONS			
Director (level 1)	TA	AD 14	Management (both administration and operational)
Chief Operating Officer (level 2)	TA	AD 11	Management (both administration and operational)
Head of Unit	TA	AD9	Management (both administration and operational)
Senior Officer	TA	AD8	operational
Officer (Programme)	TA/CA	AD6/FGIV	operational
SUPPORT FUNCTIONS			
Head of Unit Services and Finance	TA	AD9	administration
Head of Section Governance & Human Resources	TA	AD9	administration
Head of Section Finance and Procurement	TA	AD6	administration
Communications Officer	TA	AD5	administration and operational
Head of Section IT and Facility Management	TA	AD 6	administration
Officer (Policy)	TA	AD6	administration
Secretary	CA	FG II	administration and operational

SPECIAL FUNCTIONS			
<i>Data Protection Officer (Legal officer appointed, not a separate function)</i>	TA	AD6	<i>administration</i>
<i>Legal Officer</i>	TA	AD6	<i>administration</i>
<i>Accounting Officer</i>	TA	AD8	<i>administration</i>
<i>Internal Auditor</i>	TA	AD7	<i>Administration</i>

b) Result of the job screening exercise (31/12/2017)

Job Type and Category	Year 2016	Year 2017
ADMINISTRATIVE SUPPORT AND COORDINATION	30%	29%
Administrative Support	11	12
Coordination	8	7
OPERATIONAL	59%	60%
Top-Level Operational Coordination	4	4
Programme Management & Implementation	19	21
Evaluation & Impact Assessment	7	7
General Operational	7	7
NEUTRAL	11%	11%
Finance	6	6
Control	1	1

Annex V: Human and Financial resources by activity

Activity	TA	CA	SNE	Operational HR ¹	Operational exp., EUR ²	Overheads, EUR ³	Total cost (operational exp. and overheads), EUR
Consolidating, fostering growth and impact of the KICs	11	5	0	16	301 208 116	1 399 394	302 607 511
Creating new KICs	3	1	0	4	183 875	349 849	533 723
The EIT's next Strategic and Innovation Agenda (SIA) 2021-2027	2	1	0	3	43 200	262 386	305 586
Fostering and attracting talent	1	0	0	1	139 134	87 462	226 597
Enhancing stakeholder engagement	2,5	1	2	5,5	1 562 205	481 042	2 043 247
EIT KIC Relations	2	0	0	2	269 064	174 924	443 988
Simplification	0,5	0	0	0,5	0	43 731	43 731
Monitoring, impact analysis and evaluation	3	1	0	4	188 252	349 849	538 100
Strategy: Coordination and implementation	4	1	0	5	0	437 311	437 311
Administrative support and coordination	9	10	0	19	0	1 661 781	1 661 781
TOTAL	38	20	2	60	303 593 847	5 247 729	308 841 576

1 The operational Human Resources consist of the total number of Temporary and Contract Agents directly involved in operations.

2 The operational expenditure is the costs directly involved in the implementation of the projects of the AWP.

3 The overheads are costs indirectly involved in the implementation of the projects of the AWP. These include fixed costs such as salaries, rent, software licences and other similar costs. In addition, overheads include variable costs such as office equipment and supplies, ICT equipment, telecommunication costs and other similar expenses. The total overheads are distributed to each area of activity in proportion to the operational staff employed in each area of activity.

Annex VI: Specific annexes related to part

II

a) Budget implementation

Revenue

Income line	Income line header	Income appropriation, EUR	Entitlements established in 2016, EUR (1)	Entitlements established in 2017, EUR (2)	Revenue carried over from 2016, EUR (3)	Revenue received in 2017, EUR (4)	Outstanding amounts, EUR (1+2-3-4)
200	European Union subsidy	288 715 509.28		288 072 391.98		288 072 391.98	0.00
300	Contributions by the EFTA member states	7 024 662.70		7 667 780.00		7 667 780.00	0.00
310	Contributions by third countries	7 571 321.00		7 571 321.00		7 571 321.00	0.00
570	Revenue arising from repayment of amounts wrongly paid						0.00
590	Other revenue from administrative operations	172.64		12 172.25		12 172.25	0.00
600	Surplus, balances	6 147 275.69			6 147 275.69		0.00
701	Repayment of KICs grants incurred as a result of an ex-post audit (assigned revenue)	1 058 890.90	431 827.42	627 063.48	431 827.42	627 063.48	0.00
	TOTAL	310 517 832.21	431 827.42	303 950 728.71	6 579 103.11	303 950 728.71	0.00

Expenditure

Implementation of the commitment and payment appropriations per budget item (C1)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-1100	Basic salaries including weightings	1 812 960.00	1 812 958.59	100.00%	1 812 960.00	1 812 958.59	100.00%	-
A-1101	Allowances	661 500.00	661 467.76	100.00%	661 500.00	661 467.76	100.00%	-
A-1102	Employers charges	101 890.00	101 885.86	100.00%	101 890.00	101 885.86	100.00%	-
A-1110	Remuneration and allowances of contract agents	797 560.00	797 552.63	100.00%	797 560.00	797 552.63	100.00%	-
A-1120	Termination of service	18 000.00		0.00%	18 000.00		0.00%	-
A-1121	Entitlements related to entering the service	131 400.00	130 082.62	99.00%	131 400.00	130 082.62	99.00%	-
A-1130	Schooling	270 000.00	257 893.19	95.52%	270 000.00	257 893.19	95.52%	-
	Total	3 793 310.00	3 761 840.65	99.17%	3 793 310.00	3 761 840.65	99.17%	-
A-1200	Recruitment expenses	30 000.00	30 000.00	100.00%	30 000.00	24 887.51	82.96%	5 112.49
	Total	30 000.00	30 000.00	100.00%	30 000.00	24 887.51	82.96%	5 112.49
A-1300	Mission expenses	245 000.00	245 000.00	100.00%	245 000.00	213 918.32	87.31%	31 081.68
	Total	245 000.00	245 000.00	100.00%	245 000.00	213 918.32	87.31%	31 081.68
A-1400	Restaurants and canteens	880.00	811.11	92.17%	880.00	811.11	92.17%	-
A-1401	Medical expenses	10 000.00	10 000.00	100.00%	10 000.00	9 503.79	95.04%	496.21
A-1402	Early childhood centre and approved day nurseries	76 200.00	76 200.00	100.00%	76 200.00	76 200.00	100.00%	-
A-1403	Social contacts among staff members	7 000.00	5 816.72	83.10%	7 000.00	5 616.72	80.24%	200.00
A-1404	Other social expenses	2 400.00	1 256.75	52.36%	2 400.00	1 256.75	52.36%	-
	Total	96 480.00	94 084.58	97.52%	96 480.00	93 388.37	96.80%	696.21
A-1500	Training	65 700.00	49 926.50	75.99%	65 700.00	33 423.58	50.87%	16 502.92
	Total	65 700.00	49 926.50	75.99%	65 700.00	33 423.58	50.87%	16 502.92
A-1600	Agency staff	110 100.00	110 100.00	100.00%	110 100.00	64 619.85	58.69%	45 480.15
A-1601	Seconded National Expert	80 000.00	78 946.16	98.68%	80 000.00	78 946.16	98.68%	-
A-1602	Trainees	40 000.00	38 824.27	97.06%	40 000.00	24 614.27	61.54%	14 210.00
A-1603	IT support	35 200.00	35 200.00	100.00%	35 200.00		0.00%	35 200.00
A-1604	Administrative assistance	72 000.00	63 996.81	88.88%	72 000.00	52 957.41	73.55%	11 039.40
A-1611	Translation	54 000.00	28 924.72	53.56%	54 000.00	20 074.82	37.18%	8 849.90
	Total	391 300.00	355 991.96	90.98%	391 300.00	241 212.51	61.64%	114 779.45
A-1700	Representation expenses	3 900.00	322.13	8.26%	3 900.00	322.13	8.26%	-
	Total	3 900.00	322.13	8.26%	3 900.00	322.13	8.26%	-
	TOTAL - Title 1	4 625 690.00	4 537 165.82	98.09%	4 625 690.00	4 368 993.07	94.45%	168 172.75

A-2000	Renting	6 000.00	6 000.00	100.00%	6 000.00	5 700.00	95.00%	300.00
A-2003	Water gas electricity and heating	20 000.00	20 000.00	100.00%	20 000.00		0.00%	20 000.00
A-2004	Cleaning and maintenance	16 200.00	14 367.66	88.69%	16 200.00	8 787.43	54.24%	5 580.23
A-2005	Security and surveillance	18 540.00	17 262.51	93.11%	18 540.00	11 212.81	60.48%	6 049.70
A-2006	Fitting out of premises	32 500.00	31 817.96	97.90%	32 500.00	31 817.96	97.90%	-
A-2009	Other building expenditure	500.00	92.99	18.60%	500.00	92.99	18.60%	
	Total	93 740.00	89 541.12	95.52%	93 740.00	57 611.19	61.46%	31 929.93
A-2100	Acquisition renting of equipments and software	120 380.00	109 601.45	91.05%	120 380.00	72 586.94	60.30%	37 014.51
A-2101	Maintenance and repair of equipments	116 150.00	73 556.47	63.33%	116 150.00	65 111.67	56.06%	8 444.80
	Total	236 530.00	183 157.92	77.44%	236 530.00	137 698.61	58.22%	45 459.31
A-2200	Acquisition general, technical equipment	6 500.00	4 600.00	70.77%	6 500.00	-	0.00%	4 600.00
A-2212	Transport cost	500.00	156.60	31.32%	500.00	156.60	31.32%	-
A-2220	Acquisition of furniture	15 500.00	15 442.41	99.63%	15 500.00	1 391.35	8.98%	14 051.06
	Total	22 500.00	20 199.01	89.77%	22 500.00	1 547.95	6.88%	18 651.06
A-2300	Stationery and office supplies	7 500.00	7 470.29	99.60%	7 500.00	6 625.28	88.34%	845.01
A-2301	Postage and delivery charges	3 000.00	3 000.00	100.00%	3 000.00	2 199.27	73.31%	800.73
A-2302	Telecommunication charges	39 600.00	32 615.65	82.36%	39 600.00	21 298.92	53.79%	11 316.73
A-2303	Legal expenses and damages	22 500.00	8 880.00	39.47%	22 500.00	3 600.00	16.00%	5 280.00
A-2304	Handling and moving	2 000.00	1 544.73	77.24%	2 000.00	1 544.73	77.24%	
A-2305	Bank charges	50 000.00	50 000.00	100.00%	50 000.00	23 002.11	46.00%	26 997.89
A-2306	Honoraria for Governing Board Members	170 300.00	141 100.00	82.85%	170 300.00	141 100.00	82.85%	-
A-2309	Other administrative expenses	500.00	80.00	16.00%	500.00	80.00	16.00%	-
	Total	295 400.00	244 690.67	82.83%	295 400.00	199 450.31	67.52%	45 240.36
A-2400	Official Journal	2 000.00	650.00	32.50%	2 000.00		0.00%	650.00
A-2401	EIT publications	500.00		0.00%	500.00		0.00%	-
	Total	2 500.00	650.00	26.00%	2 500.00	-	0.00%	650.00
A-2500	Organisation and travel expenses of Governing Board meetings	180 000.00	165 463.48	91.92%	180 000.00	55 375.70	30.76%	110 087.78
A-2520	Internal meetings	10 000.00	6 861.31	68.61%	10 000.00	6 861.31	68.61%	-
	Total	190 000.00	172 324.79	90.70%	190 000.00	62 237.01	32.76%	110 087.78
	TOTAL - Title 2	840 670.00	710 563.51	84.52%	840 670.00	458 545.07	54.55%	252 018.44
	TOTAL - Title 1 and Title 2	5 466 360.00	5 247 729.33	96.00%	5 466 360.00	4 827 538.14	88.31%	420 191.19

A-2000	Renting	6 000.00	6 000.00	100.00%	6 000.00	5 700.00	95.00%	300.00
A-2003	Water gas electricity and heating	20 000.00	20 000.00	100.00%	20 000.00		0.00%	20 000.00
A-2004	Cleaning and maintenance	16 200.00	14 367.66	88.69%	16 200.00	8 787.43	54.24%	5 580.23
A-2005	Security and surveillance	18 540.00	17 262.51	93.11%	18 540.00	11 212.81	60.48%	6 049.70
A-2006	Fitting out of premises	32 500.00	31 817.96	97.90%	32 500.00	31 817.96	97.90%	-
A-2009	Other building expenditure	500.00	92.99	18.60%	500.00	92.99	18.60%	
	Total	93 740.00	89 541.12	95.52%	93 740.00	57 611.19	61.46%	31 929.93
A-2100	Acquisition renting of equipments and software	120 380.00	109 601.45	91.05%	120 380.00	72 586.94	60.30%	37 014.51
A-2101	Maintenance and repair of equipments	116 150.00	73 556.47	63.33%	116 150.00	65 111.67	56.06%	8 444.80
	Total	236 530.00	183 157.92	77.44%	236 530.00	137 698.61	58.22%	45 459.31
A-2200	Acquisition general, technical equipment	6 500.00	4 600.00	70.77%	6 500.00	-	0.00%	4 600.00
A-2212	Transport cost	500.00	156.60	31.32%	500.00	156.60	31.32%	-
A-2220	Acquisition of furniture	15 500.00	15 442.41	99.63%	15 500.00	1 391.35	8.98%	14 051.06
	Total	22 500.00	20 199.01	89.77%	22 500.00	1 547.95	6.88%	18 651.06
A-2300	Stationery and office supplies	7 500.00	7 470.29	99.60%	7 500.00	6 625.28	88.34%	845.01
A-2301	Postage and delivery charges	3 000.00	3 000.00	100.00%	3 000.00	2 199.27	73.31%	800.73
A-2302	Telecommunication charges	39 600.00	32 615.65	82.36%	39 600.00	21 298.92	53.79%	11 316.73
A-2303	Legal expenses and damages	22 500.00	8 880.00	39.47%	22 500.00	3 600.00	16.00%	5 280.00
A-2304	Handling and moving	2 000.00	1 544.73	77.24%	2 000.00	1 544.73	77.24%	
A-2305	Bank charges	50 000.00	50 000.00	100.00%	50 000.00	23 002.11	46.00%	26 997.89
A-2306	Honoraria for Governing Board Members	170 300.00	141 100.00	82.85%	170 300.00	141 100.00	82.85%	-
A-2309	Other administrative expenses	500.00	80.00	16.00%	500.00	80.00	16.00%	-
	Total	295 400.00	244 690.67	82.83%	295 400.00	199 450.31	67.52%	45 240.36
A-2400	Official Journal	2 000.00	650.00	32.50%	2 000.00		0.00%	650.00
A-2401	EIT publications	500.00		0.00%	500.00		0.00%	-
	Total	2 500.00	650.00	26.00%	2 500.00	-	0.00%	650.00
A-2500	Organisation and travel expenses of Governing Board meetings	180 000.00	165 463.48	91.92%	180 000.00	55 375.70	30.76%	110 087.78
A-2520	Internal meetings	10 000.00	6 861.31	68.61%	10 000.00	6 861.31	68.61%	-
	Total	190 000.00	172 324.79	90.70%	190 000.00	62 237.01	32.76%	110 087.78
	TOTAL - Title 2	840 670.00	710 563.51	84.52%	840 670.00	458 545.07	54.55%	252 018.44
	TOTAL - Title 1 and Title 2	5 466 360.00	5 247 729.33	96.00%	5 466 360.00	4 827 538.14	88.31%	420 191.19

Implementation of the commitment appropriations (C3) and payment appropriations per budget item (C2)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)
B3-000	KIC grants	20 351 201.00	20 351 201.00	100.00%	2 965 301.48	2 965 301.48	100.00%
	Total	20 351 201.00	20 351 201.00	100.00%	2 965 301.48	2 965 301.48	100.00%
B4-001	Cancelled appropriations for year n-1 not used in year n	1 459 123.92	-	0.00%	3 181 974.21		0.00%
	Total	1 459 123.92	-	0.00%	3 181 974.21	-	0.00%
	GRAND TOTAL	21 810 324.92	20 351 201.00	93.31%	6 147 275.69	2 965 301.48	48.24%

Implementation of the commitment and payment appropriations per budget item (C4)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	RAL (2-4)
B3-000	KIC Grants	627 063.48		0,00 %	627 063.48	627 063.48	100.00%	0,00
	Total	627 063.48	-	0,00 %	627 063.48	627 063.48	100.00%	0,00

Implementation of the commitment and payment appropriations per budget item (C5)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)
B3-000	KIC Grants	431 827.42	431 827.42	100.00%	431 827.42	431 827.42	100.00%
	Total	431 827.42	431 827.42	100.00%	431 827.42	431 827.42	100.00%

Implementation of the commitment and payment appropriations per budget item (C8)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-1130	Schooling	9.81		0.00%	9.81	-	0.00%	-
	Total	9.81	-	0.00%	9.81	-	0.00%	-
A-1300	Mission expenses	20 783.13	20 783.13	100.00%	20 783.13	20 783.13	100.00%	-
	Total	20 783.13	20 783.13	100.00%	20 783.13	20 783.13	100.00%	-
A-1402	Childhood centre	5 972.28	5 972.28	100.00%	5 972.28	5 972.28	100.00%	-
A-1403	Social contacts	2 729.00	1 807.25	66.22%	2 729.00	1 807.25	66.22%	-
	Total	8 701.28	7 779.53	89.41%	8 701.28	7 779.53	89.41%	-
A-1500	Training	20 515.40	20 111.42	98.03%	20 515.40	20 111.42	98.03%	-
	Total	20 515.40	20 111.42	98.03%	20 515.40	20 111.42	98.03%	-
A-1600	Agency staff	67 894.46	64 544.60	95.07%	67 894.46	64 544.60	95.07%	-
A-1603	IT support	60 369.00	49 304.00	81.67%	60 369.00	49 304.00	81.67%	-
A-1604	Administrative assistance	17 471.70	16 730.97	95.76%	17 471.70	16 730.97	95.76%	-
	Total	145 735.16	130 579.57	89.60%	145 735.16	130 579.57	89.60%	-
	TOTAL - Title 1	195 744.78	179 253.65	91.58%	195 744.78	179 253.65	91.58%	-
A-2000	Renting	300.00	300.00	100.00%	300.00	300.00	100.00%	-
A-2003	Water gas electricity and heating	20 000.00	11 603.64	58.02%	20 000.00	11 603.64	58.02%	-
A-2004	Cleaning and maintenance	5 720.00	5 520.00	96.50%	5 720.00	5 520.00	96.50%	-
A-2005	Security and surveillance	3 570.00	3 209.05	89.89%	3 570.00	3 209.05	89.89%	-
	Total	29 590.00	20 632.69	69.73%	29 590.00	20 632.69	69.73%	-
A-2100	Acquisition renting of equipments and software	103 074.90	103 074.90	100.00%	103 074.90	103 074.90	100.00%	-
A-2101	Maintenance and repair of equipments	58 734.00	58 358.00	99.36%	58 734.00	58 358.00	99.36%	-
	Total	161 808.90	161 432.90	99.77%	161 808.90	161 432.90	99.77%	-
A-2200	Acquisition, rental of general and technical equipment	3 096.00	2 802.42	90.52%	3 096.00	2 802.42	90.52%	-
A-2300	Stationery	9 647.90	8 723.62	90.42%	9 647.90	8 723.62	90.42%	-
A-2301	Postage and delivery charges	123.95	59.34	47.87%	123.95	59.34	47.87%	-
A-2302	Telecommunication charges	18 152.33	10 094.03	55.61%	18 152.33	10 094.03	55.61%	-
A-2303	Legal expenses and damages	6 247.87		0.00%	6 247.87		0.00%	-
A-2305	Bank charges	1 075.83	1 075.83	100.00%	1 075.83	1 075.83	100.00%	-
A-2306	Honoraria for GB members	4 000.00	4 000.00		4 000.00	4 000.00		-
	Total	42 343.88	26 755.24	63.19%	42 343.88	26 755.24	63.19%	-
A-2400	Official Journal	520.00	335.24	64.47%	520.00	335.24	64.47%	-
A-2403	Studies and surveys	8 905.00	8 905.00	100.00%	8 905.00	8 905.00	100.00%	-
	Total	9 425.00	9 240.24	98.04%	9 425.00	9 240.24	98.04%	-
A-2500	Organisation and travel expense of Governing Board meetings	149 937.91	95 814.34	63.90%	149 937.91	95 814.34	63.90%	-
	Total	149 937.91	95 814.34	63.90%	149 937.91	95 814.34	63.90%	-
	Total - Title 2	393 105.69	313 875.41	79.85%	393 105.69	313 875.41	79.85%	-
	TOTAL - Title 1 and Title 2	588 850.47	493 129.06	83.74%	588 850.47	493 129.06	83.74%	-

b) List of contracts, external experts and grants awarded in 2017

List of procurement contracts and exceptional negotiated procedures

The below list includes the compulsory information for publication purposes on:

- 1) Contracts (direct contracts, framework contracts, purchase orders) awarded by the EIT for a value between EUR 15 000 and EUR 60 000 (see Article 123 (4) of the Rules of Application to the Financial Regulation):

Number of contract	Contract type	Supplies/services	Name of the contractor	Value of the contract	Currency
17/2017/NP/EIT PROC	Direct Service Contract	REORGANIZATION OF OFFICES LOT1 CONSTRUCTION WORK - LOT1	Porreal	31,646.78	EUR
01/2017/EITPROC	FWC	provision of language training services for the EIT staff	Novoschool, Nyelvi, Gazdasagi Tovabbkepzes Vizsgacentrum Kft.	59,950.00	EUR
34/2017/NP/EIT PROC	Direct Service Contract	PROVISION OF PROJECT MANAGEMENT SERVICES RELATED TO THE PROJECT "EIT ENTREPRENEURSHIP AND INNOVATION EDUCATION ACTIVITIES FOR MIGRANTS AND REFUGEES" TO THE EIT (34.2017.NP.EITPROC)	PHOENIX RY	15,000.00	EUR

- 2) Contracts (direct contracts, framework contracts, purchase orders) awarded by the EIT for a value of EUR 60 000 and more (see Article 123 (4) of the Rules of Application to the Financial Regulation):

Number of contract	Contract type	Supplies/services	Name of the contractor	Value of the contract	Currency
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03/2017/EITPROC	FWC	Provision of digital communication services	EWORX S.A.	1,000,000.00	EUR
04/2017/EITPROC - 3	FWC	CFS Audit	Deloitte Consulting CVBA	3,960,000.00	EUR
04/2017/EITPROC - 1	FWC	CFS Audit	Ernst and Young Advisory Ltd.	3,960,000.00	EUR
04/2017/EITPROC /02	FWC	CFS Audit	Moore Stephens LLP	3,960,000.00	EUR

3) Aggregate amount of **specific contracts and order forms based on framework contracts exceeding EUR 135 000**, if their volume is above EUR 15 000 (see Article 124 (4) of the Rules of Application to the Financial Regulation):

PROC number	Contract type	Supplies/Services	Name of the contractor	Date of signature of contract	Currency	Amount of the contract (net)
07/2015/OP/EITPROC - 07/2017	Order Form	Administrative assistant - Provision of interim staff to EIT	Starjobs Hungary Ltd.	16/01/2017	EUR	17,782.72
07/2015/OP/EITPROC - 10/2017	Order Form	Legal/HR Assistant - Provision of interim staff to EIT	Starjobs Hungary Ltd.	16/06/2017	EUR	15,160.00
07/2015/OP/EITPROC - 11/2017	Order Form	PROVISION OF INTERIM STAFF SERVICES TO THE EIT (ADMINISTRATIVE ASSISTANT)	Starjobs Hungary Ltd.	07/11/2017	EUR	11,077.76
07/2015/OP/EITPROC - 08/2017	Order Form	EIT Alumni Communication Assistant - Provision of interim staff to EIT	Starjobs Hungary Ltd.	06/02/2017	EUR	17,782.72
Total FWC 07/2015/OP/EITPROC:						61,803.20

38/2013/OP/EITPROC/Lot2/01 - SC No. 23	Specific contract	Business Planning Module BP	Grape Solutions Zrt	18/08/2017	EUR	48,520.59
38/2013/OP/EITPROC/Lot2/01 - SC No. 25	Specific contract	IT 1ST LEVEL SUPPORT FROM JANUARY TO 15TH OCTOBER 2018	Grape Solutions Zrt	21/12/2017	EUR	34,751.00
38/2013/OP/EITPROC/Lot2/01 - SC No. 22	Specific contract	PIO upgrade	Grape Solutions Zrt	18/08/2017	EUR	22,358.65
38/2013/OP/EITPROC/Lot2/01 - SC No 21	Specific contract	Grant management software maintenance of the 2016 Reporting module	Grape Solutions Zrt	21/02/2017	EUR	49,916.00
Total FWC 38/2013/OP/EITPROC/Lot2/01:						155,546.24
EAC/27/2015 - LOT 1 -SC No. 01	Order Form	CATERING FOR EIT-KICS FORUM OF 14.02.2017 AND FOR SIA WG MEETING OF 22.02.2017	CECOFORMA S.A.	13/02/2017	EUR	1,637.00
EAC/27/2015 - LOT 1 -SC No. 02	Specific contract	Organization of event - EIT Communication Campaign 2017	CECOFORMA S.A.	19/04/2017	EUR	749,971.61
EAC/27/2015 - LOT 1 -SC No. 03	Specific contract	Organization of event - Innoveit 2017	CECOFORMA S.A.	23/05/2017	EUR	477,102.19
EAC/27/2015 - LOT 1 -SC No. 05	Specific contract	Organization of event - 46_GB Meeting	CECOFORMA S.A.	29/05/2017	EUR	40,578.32
EAC/27/2015 - LOT 1 -SC No. 04	Specific contract	Organization of event - EIT Communication Strategy	CECOFORMA S.A.	01/06/2017	EUR	149,974.40
EAC/27/2015 - LOT 1 -SC No. 07	Specific contract	Organization of event - EIT Alumni Board meeting 2017-2018	CECOFORMA S.A.	02/06/2017	EUR	47,764.50
EAC/27/2015 - LOT 1 -SC No. 06	Order Form	Organization of event - EIT CLC visit RWP	CECOFORMA S.A.	02/06/2017	EUR	9,621.25
EAC/27/2015 - LOT 1 -SC No. 08	Specific contract	Promotion of the EIT's 2018 Call for KIC's Proposals	CECOFORMA S.A.	17/08/2017	EUR	158,058.60

EAC/27/2015 - LOT 1 -SC No. 10	Specific contract	Organization of event – Journalist Innoveit	CECOFORMA S.A.	28/08/2017	EUR	49,245.00
EAC/27/2015 - LOT 1 -SC No. 09	Specific contract	Organization of event - 47th EIT GB Meeting	CECOFORMA S.A.	28/08/2017	EUR	28,429.80
EAC/27/2015 - LOT 1 -SC No. 11	Order Form	Catering in the EIT House	CECOFORMA S.A.	21/09/2017	EUR	4,657.50
EAC/27/2015	Use of FWC other Institution	EIT COMMUNICATION SUPPORT FOR 01-02/2018 - SC 16	CECOFORMA S.A.	21/12/2017	EUR	34,955.55
EAC/27/2015 - LOT 1 -SC No. 12	Order Form	Organization of event - EIT Alumni CONNECT event 15-17.11.17	CECOFORMA S.A.	06/10/2017	EUR	14,415.64
EAC/27/2015 - LOT 1 -SC No. 14	Specific contract	Organization of event - EIT 48_49_GB meetings 21-23 November	CECOFORMA S.A.	07/11/2017	EUR	32,960.55
EAC/27/2015 - LOT 1 -SC No. 13	Specific contract	Organization of event - EIT Awareness Day event Tallinn 12.10.17	CECOFORMA S.A.	05/10/2017	EUR	2,703.75
Total FWC EAC/27/2015 - LOT 1:						1,802,075.66
03/2017/EITPROC - SC no 2	Specific contract	provision of digital communication services	EWORX S.A.	15/12/2017	EUR	6,640.00
03/2017/EITPROC - SC no 1	Specific contract	provision of digital communication services	EWORX S.A.	20/10/2017	EUR	42,600.00
Total FWC 03/2017/EITPROC:						49,240.00
DI/07600	Specific Contract	ACQUISITION FOR THE PROVISION OF NG-TESTA SERVICE TO COVER THE PERIOD FROM 01/01/2018-31/12/2018	T-SYSTEMS INTERNATIONAL GMBH*	11/12/2017	EUR	17,004.48
Total FWC DI/07600:						17,004.48
BUDG/15/PO/03 - SC No 08_09	Specific contract	EX-POST AUDITS OF 2016 GA	Baker Tilly Belgium	10/10/2017	EUR	149,950.00
Total FWC BUDG/15/PO/03:						149,950.00

04/2017/EITPROC - 2 - SC No 1	Specific contract	CFS Audit - 2 - SC no 1	Moore Stephens LLP	10/11/2017	EUR	397,500.00
Total FWC 04/2017/EITPROC - 2:						397,500.00
04/2017/EITPROC - 1 - SC no 1	Specific contract	CFS Audit - 1 - SC no 1	Ernst and Young Advisory Ltd.	27/10/2017	EUR	477,750.00
Total FWC 04/2017/EITPROC - 1:						477,750.00
DI/07360	Order Form	VERITAS	Comparex Nederland BV	24/05/2017	EUR	5,409.33
DI/7360	Order Form	Provision of Citrix and Vmware	Comparex Nederland BV	07/08/2017	EUR	8,344.12
DI/7360	Order Form	VM ware, ManageEngine, Zoom VC, Mail Merge	Comparex Nederland BV	14/09/2017	EUR	6,918.27
DI/7360	Order Form	Acquisition of SSL Digital Certificate for the EIT server for 3 years period	Comparex Nederland BV	02/02/2017	EUR	1,457.11
Total FWC DI/7360:						22,128.83
DI/07210	Purchase Order	APSIII order, maintenance	BECHTLE AG	27/07/2017	EUR	21,914.47
Total FWC DI/07210:						21,914.47
DI/07500 - FWC NATACHA III	Use of FWC other Institution	ACQUISITION OF CISCO ISR4431 ROUTER	DIMENSION DATA BELGIUM	22/12/2017	EUR	18,301.24
Total FWC DI/07500 - FWC NATACHA III:						18,301.24

3) List of exceptional negotiated procedures in 2017:

N/A

Grants awarded

Name of the beneficiary	city	Country/ territory	Co-financing rate	Amount (EUR)	Subject of grant
Knowledge and Innovation Community: InnoEnergy SE	Eindhoven	The Netherlands	90.46%	78,976,336.92	Support the implementation of KIC added value activities (SGA 2017)
Knowledge and Innovation Community: Climate -KIC Holding BV	Utrecht	The Netherlands	87.99%	75,234,000.00	Support the implementation of KIC added value activities (SGA 2017)
Knowledge and Innovation Community: EIT Digital IVZW	Brussels	Belgium	78.00%	73,209,209.64	Support the implementation of KIC added value activities (SGA 2017)
Knowledge and Innovation Community: EIT Raw Materials GmbH	Berlin	Germany	77.67%	34,637,169.38	Support the implementation of KIC added value activities (SGA 2017)
Knowledge and Innovation Community: EIT Health e.V.	München	Germany	84.33%	33,886,433.12	Support the implementation of KIC added value activities (SGA 2017)
Knowledge and Innovation Community EIT Food: Technische Universitaet Muenchen (TU Munich)	München	Germany	100.00%	3,994,650.00	Support the implementation of KIC added value activities (SUGA 2017)

List of experts

The Annex on the list of expert of the ARR is not published due to reasons of confidentiality. Nevertheless, the list of experts is published separately on the EIT website:

(<https://eit.europa.eu/interact/bookshelf/list-expert-contracts-2017>)

Annex VII: Specific annexes related to part

III

a) Critical risk mitigating actions undertaken in 2017

Description of the critical risk	Proposed mitigating actions	Accomplished risk mitigation actions
<p>Budget cuts or legal changes beyond the EIT's control</p> <p><u>Causes:</u> changes in political priorities by the Council, EP or Commission <u>Consequences:</u> insufficient budget available for the EIT to implement its objectives or adverse legal changes jeopardising the operations</p>	<p>Continued stakeholder management to influence decisions potentially affecting the EIT.</p>	<p>Continuous dialogue was maintained with key political decision makers (Council, EP, Commission) to have timely information about potential changes in the legal basis or in the multi-annual budget.</p>
<p>Title: Non-implementation of core elements of EIT Annual Work Programme 2017 due to insufficient human resources or high turnover of staff</p> <p><u>Causes:</u> lack of resources <u>Consequences:</u> reputational loss, potential legal/financial implications</p>	<p>The current staff attempts to ensure mutual back-up of all strategically important tasks.</p> <p>Recruitment in the HR plan for 2017 to ensure reserve lists are available.</p> <p>Use of interim staff and trainees.</p>	<p>The EIT recruited new staff in 2017 thereby increasing the staff size to 60 by end-2017.</p> <p>Interimaires and trainees were used to bridge temporary gaps in HR capacity.</p>

<p>Improper implementation of EIT-KICs agreements given the complexity of the KIC concept</p> <p><u>Causes:</u> new Framework Partnership Agreements, complex KIC governance, activities and evolving partnerships</p> <p><u>Consequences:</u> irregularities, recovery of EIT funds; delays in implementing KICs' activities; negative reactions from EC, ECA, OLAF, KICs; damage reputation/credibility of the EIT</p>	<p>Improve the procedures (SOPs) on KIC grant management.</p> <p>Implement revised grant assurance strategy and EIT anti-fraud strategy.</p> <p>Review of implementation of good governance principles.</p> <p>Internal detailed assessments of Performance and Cost reports for the GA 2016.</p> <p>Assessment of certificates on the Financial Statements that are required by the EIT.</p> <p>Risk based ex-post audits to be performed on GA 2016.</p>	<p>Revised grant assurance strategy and anti-fraud strategy in place and implemented.</p> <p>Implementation of good governance principles by KICs monitored in 2017.</p> <p>Detailed assessment of cost and performance reports by the EIT performed, CFSs obtained.</p> <p>Ex-post audits carried out.</p>
<p>IT hardware or software failure</p> <p><u>Causes:</u> Hardware devices or software failure</p> <p><u>Consequences:</u> Systems and services could be stopped for different periods of time</p>	<p>Off-site back-up system in co-operation with CEPOL.</p> <p>IT software security review.</p> <p>External support for IT section.</p> <p>Address relevant audit recommendations.</p>	<p>Off-site back-up system in place.</p> <p>IT security improved by acquisition of new software.</p> <p>External IT support (1st and 2nd level) available throughout 2017.</p> <p>Audit recommendations addressed continuously.</p>
<p>Revise planning and organisation of the administrative and operational processes</p> <p><u>Causes:</u> inappropriate time management, insufficient and inefficient processes</p> <p><u>Consequences:</u> non-achievement of objectives or delay in the achievement, waste of time and resources</p>	<p>Start the 2019-2021 budgetary planning in September 2017, monthly monitoring of the budget and procurement implementation, review of the budget and procurement implementation twice per year.</p>	<p>Planning for 2019-2021 started in August 2017.</p> <p>Monthly budget monitoring reports issued.</p> <p>Monthly procurement monitoring meetings held.</p> <p>Quarterly review meetings of the implementation of the AWP 2017 held.</p>

<p>Title: Staff involved in procurement process may not be properly qualified or familiar with relevant regulations, rules and procedures and may not be properly and consistently apply the rules</p> <p><u>Causes:</u> staff involved in procurement process have no financial training and expertise, no follow-up of the changes in the rules, guidance</p> <p><u>Consequences:</u> non-compliance with the legal and regulatory requirements, waste of time and resources</p>	<p>Expenditure Life Cycle training for newcomers and staff, training on procurement, regular workshop and guidance on financial and procurement practicalities</p>	<p>Trainings have been organised by HR. Participation in the trainings are mandatory and monitored.</p> <p>Feedback mechanism put in place on procurement performance.</p> <p>Additional capacity provided to the Finance and Procurement section in 2017.</p>
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b) Specific annexes related to "Assessment of the effectiveness of the internal control systems¹³"

Standard	Brief description of the action (areas assessed during the Financial Autonomy review)	Status as of 31.12.2017
ICS 1 – EIT's raison d'être	Is the EIT's raison d'être is clearly defined in up-to-date and concise mission statements developed from the perspective of the EIT's customers	<p><u>Overall assessment of status: mostly / partially compliant</u></p> <p>EIT's mission exists and is communicated to staff. However, units' missions to be revisited.</p> <p>EIT is reviewing the alignment of KICs' missions to the EIT's mission at several stages from KIC's selection to their AWP and Annual business plans.</p>
ICS 2 – Ethical and Organisational Values	Management and staff are aware of and share appropriate ethical and organisational values and uphold these through their own behaviour and decision-making.	<p><u>Overall assessment of status: fully or mainly compliant</u></p> <p>Compulsory annual training provided, including final quiz to check staff's awareness. Quiz/Survey results of staff/self-assessment could prove full effectiveness.</p> <p>The Anti-Fraud Strategy exists but requires an update. Capacity exists to handle internal cases.</p> <p>Conflict of interests are managed both KIC and EIT level.</p> <p>Ethics as regards EIT staff dealing with KICs could be further developed in the sense that staff may be biased towards a KIC, but no high risk currently identified and sensitive post policy ensures mitigating actions.</p>
ICS 3. Staff Allocation and Mobility	The allocation and recruitment of staff is based on the EIT's objectives and priorities. Management promote and plan staff mobility so as to strike the right balance between continuity and renewal	<p><u>Overall assessment of status: fully or partially compliant</u></p> <p>EIT HR completed mapping of jobs and completion of job descriptions.</p> <p>The Multi-Annual Staff Policy Plan 2017-2019 describes the redeployment of resources in view of budgetary constraints, as well as changes to the organigramme in order to strengthen the focus on the core activities.</p> <p>Implementing rules for the engagement of temporary staff and the compulsory mobility in case of sensitive functions in place, but constrained by organisational limitations inherent in small agencies.</p>

¹³ Based on the financial autonomy assessment of the European Commission carried out in 2017.

ICS 4 – Staff evaluation and development	Staff performance is appraised annually. Adequate measures are taken to develop the skills necessary to achieve the objectives set.	<p><u>Overall assessment of status: fully or partially compliant</u></p> <p>The appraisal system is in place and has been conducted according to the latest GB Decisions on TA & CA appraisal implementing rules. Annual training plans exist.</p>
ICS 5 - Objective and performance indicators	The EIT's objectives are clearly defined and updated when necessary. These are formulated in a way that makes it possible to monitor their achievement. Key performance indicators are established to help management evaluate and report on progress made in relation to their objectives	<p><u>Overall assessment of status: fully or mainly compliant</u></p> <p>Objective setting process is undergoing improvement, it is already at an adequate level with the key issues covered.</p> <p>Annual planning exercise is in place including the annual business planning process.</p> <p>Annual report and regular monitoring is in place that follows a monitoring strategy.</p>
ICS 6. Risk Management Process	A risk management process is in place which allows management to identify, assess and address existing or potential issues that may hamper the achievement of the EIT's objectives and is integrated into the annual activity planning	<p><u>Overall assessment of status: fully or mainly compliant</u></p> <p>Risk management SOP integrated in AWP planning process; SOP exist; unit level registers and dedicated risk registers are established as from 2018.</p> <p>Dedicated Grant Assurance Strategy in place for main business focus.</p>
ICS 7 - Operational Structure	The EIT's operational structure supports effective decision-making by suitable delegation of powers. Risks associated with the EIT's sensitive functions are managed through mitigating controls and ultimately staff mobility. Adequate IT governance structures are in place	<p><u>Overall assessment of status: fully, mainly or partially compliant</u></p> <p>Clear organigramme and governance framework exists.</p> <p>EIT's sensitive functions are identified procedure approved by governing board, regularly reviewed and followed up by IAC.</p> <p>Weakness as regards IT governance, IT project management methodology to be improved in the course of 2018.</p>
ICS 8 – Processes and procedures	The EIT's processes and procedures used for the implementation and control of its activities are effective and efficient, adequately documented. They include arrangements to ensure segregation of duties and to track and give prior approval to control overrides or deviations from policies and procedures	<p><u>Overall assessment of status: fully mainly or partially compliant</u></p> <p>While a number of Standard Operating Procedures (SOPs) have been established, translation into usable tools such as checklists will be improved.</p> <p>EIT's accounting processes are overall adequate, except for issues which have recurred in recent years due to its ability to re-enter and carry forward appropriations. A draft outturn vademecum is available but needs to be finalised and tested in an operational context in 2018.</p> <p>EIT's SOP on exception reporting exists, follows the revision of the BUDG guidance on exception reporting.</p>

		<p>For grant management most capacity (organisational etc.) requirements of the KICs are covered during the ex ante assessment. Financial risks connected to KICs, e.g. bankruptcy, are low.</p> <p>Grant Assurance Strategy exist where references are made to the relevant regulations and main assurance processes are explained.</p>
ICS 9 – Management Supervision	Management supervision is performed to ensure that the implementation of activities is running efficiently and effectively	<p><u>Overall assessment of status: fully or mainly compliant</u></p> <p>EIT management are able to be hands-on with most decision making processes and take a significant role in ensuring all aspects of internal control and regularity issues</p> <p>Grant and procurement processes have been progressively formalised and structured, and substantial progress has been made, the documentation and (for procurement) access to domain-specific expertise must be consolidated so that the process is robust and repeatable.</p> <p>The monitoring strategy foresees specific activities, a significant amount of KIC monitoring is based on continuous and informal contacts, which while being desirable, results in a lack of audit trail and potential business continuity issues. Action plan for improvement is in place.</p> <p>As regards controls, on ex-ante basis deductions made via CFS audits and grant assessment process for ex-post audits a sample based approach is followed in accordance with the appropriate standards and approved and endorsed by the ECA.</p>
ICS 10 - Business Continuity	Adequate measures are in place to ensure continuity of service in case of "business-as-usual" interruption. Business Continuity Plans are in place to ensure that the Commission is able to continue operating to the extent possible whatever the nature of a major disruption	<p><u>Overall assessment of status: mainly, partially and non-compliant</u></p> <p>Handover process in place, but pending IAC recommendations on ensuring handovers. Priority posts have not been explicitly identified.</p> <p>BCP to be updated, especially in the context of grants and procurement. Business continuity is an issue for the EIT (as a small organisation) in all its areas (logistical aspects (e.g. building), staff allocation, IT and re-allocation). In the case that business continuity related risks materialise, there is a potential reputational impact apart from the operational impact.</p> <p>Disaster recovery plan to be updated and tested in 2018.</p>
ICS 11 - Document Management	Appropriate processes and procedures are in place to ensure that the EIT's document management is secure, efficient (in	<p><u>Overall assessment of status: partially and non-compliant</u></p>

	particular as regards retrieving appropriate information)	<p>The transition to the EC's records management system (HAN) has been initiated, the draft Filing Plan and the Specific Retention List have been outlined.</p> <p>In addition, the IT access management policy and the policy on handling mailboxes have been developed. Retrieval of legal documents have been improved.</p>
ICS 12 - Information and Communication	<p>Internal communication enables management and staff to fulfil their responsibilities effectively and efficiently, including in the domain of internal control.</p> <p>Where appropriate, the EIT has an external communication strategy to ensure that its external communication is effective, coherent and in line with the Commission's key political messages. IT systems used and/or managed by the EIT (where the EIT is the system owner) are adequately protected against threats to their confidentiality and integrity</p>	<p><u>Overall assessment of status: compliant and some parts non-compliant</u></p> <p>The IAC 2016 audit on IT concluded that the internal control system in place provides reasonable assurance regarding the achievement of business objectives set up for IT, except for areas such as IT security and data management.</p> <p>IT Governance and competence mapping to be completed.</p>
ICS 13 - Accounting and Financial Reporting	Adequate procedures and controls are in place to ensure that accounting data and related information used for preparing the organisation's annual accounts and financial reports are accurate, complete and timely	<p><u>Overall assessment of status: compliant</u></p> <p>EIT uses SAP and ABAC and follows the inbuilt accounting processes and manuals.</p> <p>Review of completeness of accounting procedures under way.</p>
ICS 14 - Evaluation of Activities/ Impact assessment	Evaluations of expenditure programmes, legislation and other non-spending activities are performed to assess the results, impacts and needs that these activities aim to achieve and satisfy	<p><u>Overall assessment of status: mainly compliant</u></p> <p>EIT monitoring strategy has been revised to include the revised set of KPIs.</p> <p>Impact Framework is being developed.</p>
ICS 15 - Assessment of Internal Control Systems	Management assess the effectiveness of the EIT's key internal control systems, including the processes carried out by implementing bodies, at least once a year	<p><u>Overall assessment of status: mainly compliant</u></p> <p>The EIT reports on the effectiveness and efficiency of the EIT's internal control system at least annually in the Annual Activity Report.</p> <p>The internal control functioning at the EIT is being monitored by means of different ways at the EIT such as the registration of exceptions and non-compliances. A more continuous monitoring of weaknesses and its remedial actions will happen from 2018, together</p>

		with the reinforcement of the function of the internal control coordinator.
ICS 16 - Internal Audit Capability	The EIT has an Internal Audit Capability (IAC), which provides independent, objective assurance and consulting services designed to add value and improve the operations of the EIT.	<u>Overall assessment of status: compliant</u> IAC in place and Annual Audit plan implemented.

Annex VIII: Final annual accounts 2017