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PART A: IMPLEMENTATION OF THE PROJECT

Article 1 - Definitions

1. “*Decision*” means Council Decision 1999/65/EC of 22 December 1998 concerning the rules for the participation of undertakings, research centres and universities and for the dissemination of research results for the implementation of the Fifth Framework Programme of the European Community (1998 to 2002)¹.
2. “*Regulation*” means Commission Regulation (EC) No 996/99 of 11 May 1999 on the implementation of Council Decision 1999/65/EC concerning the rules for the participation of undertakings, research centres and universities and for the dissemination of research results for the implementation of the Fifth Framework Programme of the European Community (1998-2002)².
3. “*Contracting parties*” means the Community and the *principal contractor*.
4. “*Principal contractor*” means a legal entity, an international organisation, or the Joint Research Centre (JRC), which has concluded this contract with the Community.
5. “*Member*” means a legal entity, an international organisation, or the JRC, which has concluded a membership agreement signed with a *principal contractor* in agreement with the Community and in accordance with this contract and having, by virtue of that membership agreement, the same rights and obligations as the *principal contractor* unless the former stipulates otherwise.
6. “*Participants*” means the *principal contractor* and the *members*.
7. “*Membership agreement*” means the agreement concluded between the *participants* for the specific needs of the project in accordance with the conditions of this contract.
8. “*Subcontract*” means an agreement to provide services, supplies or goods concluded between a *participant* and one or more *subcontractors* for the specific needs of the *project*.
9. “*Subcontractor*” means a legal entity, an international organisation or the JRC, which has concluded a *subcontract*.
10. “*Project*” means all the work referred to in Annex I to this contract.
11. “*Project commencement date*” means the date referred to in Article 2(1) of this contract.
12. “*Duration of the project*” means the period of performance of the *project* as referred to in Article 2(1) of this contract.
13. “*Contract completion date*” means the date referred to in Article 2(2), second subparagraph, of this contract.

¹ OJ L 26, 1.2.1999, p. 46.

² OJ L 122, 12.5.1999, p. 9.

14. "*Project deliverables*" means the reports and the cost statements referred to in Article 4 of this contract and Article 4 of this Annex as well as any element designated as such in Annex I to this contract.
15. "*Associated State*" means a State party to an international agreement concluded with the Community, in particular on the basis of Article 170 of the Treaty establishing the European Community under which that State makes a financial contribution to the framework programme.
16. "*Third country*" means a country other than a Member State or an *Associated State*.
17. "*Change of control*" means any change in the control exercised over the *principal contractor*, within the meaning of Article 5(1), third subparagraph, of the *Regulation*. Such control may result, in particular, from:
- direct or indirect holding of a majority of the share capital of the *principal contractor* or a majority of the voting rights of the latter's shareholders or associates,
- or
- direct or indirect holding, in fact or in law, of decision-making powers within the *principal contractor*.
18. "*Force majeure*" means any unforeseeable and insuperable event affecting the carrying out of the *project* by one or more *participants*.
19. The "*interests of the Community*" are to be assessed in particular with regard to:
- the objective of strengthening the international competitiveness of Community industry,
 - the objective of providing appropriate incentives for maintaining and creating jobs in the Community,
 - the objective of promoting sustainable development and improving the quality of life in the Community,
 - the needs of other Community policies in support of which indirect RTD actions are carried out,
 - the existence of scientific and technical cooperation agreements between the Community and *third countries* or international organisations.
20. "*Knowledge*" means the results, including information, arising from any *project* covered by Decision No 182/1999/EC of the European Parliament and Council of 22 December 1998 relating to the Fifth Framework Programme of the European Community for research, technological development and demonstration activities (1998 to 2002)³ as well as copyright or rights attaching to the results

³ OJ L 26, 1.2.1999, p. 1.

following applications for or the issue or registration of patents, designs and models, plant varieties, additional certificates or other similar forms of protection.

21. "*Pre-existing know-how*" means information, other than *knowledge*, held by the *participants* prior to the conclusion of the contract or the *membership agreement* or acquired in parallel with them and necessary for carrying out the *project*, as well as copyright or rights attaching to such information following applications for or the issue or registration of patents, designs and models, plant varieties, additional certificates or other similar forms of protection.
22. "*Complementary contract*" means a contract concluded with the Community in respect of work technically related to the *project*, including for *use* purposes, and recognised in writing by the contractors to each contract as being complementary.
23. "*Complementary contractor*" means a legal entity or an international organisation or the JRC, which has concluded a *complementary contract*.
24. "*Dissemination*" means the disclosure of *knowledge* by any appropriate means other than the publication resulting from the formalities for protecting *knowledge* for the purposes of promoting scientific and technical progress.
25. "*Legitimate interest*" means any interest, in particular of a commercial nature, of a *participant* which may be invoked in the cases provided for in this Annex provided that the participant demonstrates that the damage to that interest is likely, given the circumstances, to cause a specific prejudice that is disproportionate, considering the objectives of the provision in respect of which it is invoked.
26. "*Favourable conditions*" means conditions more favourable than market conditions owing to discounts of any kind.
27. "*Non-commercial user rights*" means user rights relating to *knowledge* or *pre-existing knowhow* transferred under the conditions provided for in this Annex for non-commercial purposes and solely carrying out the *project*.
28. "*Eligible costs*" means the costs referred to in Articles 18 and 19 of this Annex, in compliance with the conditions set out in Article 17(1) to (4) thereof.

Article 2 - Management of the *project*

1. The *principal contractor*:
 - (a) is the intermediary between the *members* and the Commission. In particular, he shall be responsible for transmitting to the Commission all documents and correspondence relating to the *project*;
 - (b) shall inform the Commission of the actual date of commencement of the work and of the person designated in accordance with paragraph 3(a) of this Article;
 - (c) shall transmit to the Commission a copy of the *membership agreements* duly signed by the *participants* and shall guarantee that those *agreements* are in conformity with this contract;
 - (d) shall submit to the Commission:
 - the cost statement provided for in Article 4 of this contract and of this Annex,

- the periodic, final and supplementary reports provided for in Article 4 of this contract and of this Annex,
 - any other *project deliverable* except where Annex I to this contract provides otherwise,
- (e) not being the beneficiary of the payments intended for the *members* pursuant to this contract, he shall transfer to them the amount owing to them in accordance with the conditions of the *membership agreements* concluded in accordance of Article 5 of this Annex.
- (f) shall inform the Commission of any event liable to substantially affect the *project* of which he is aware, including any change in a person referred to in paragraph 3 point (a) of this Article, any *change of control* with regard to him and any circumstance affecting the conditions of participation referred to in Articles 3 to 12 of the *Decision*,
- (g) shall inform the Commission of transfers between categories in the budget set out in the table of the indicative breakdown of the estimated eligible costs carried out in compliance with Article 17(4) of this Annex,
- (h) shall, including for his *members*, provide all detailed information requested by the Commission for the purposes of the proper administration of this contract.
2. *Members* shall forward to the *principal contractor* the data needed to draw up the reports provided for in Article 4 of this contract and of this Annex, as well as any corresponding cost statements.
3. The *participants*:
- a) shall agree upon appropriate arrangements for the proper performance of the work incumbent upon them pursuant to Annex I to this contract. To this end, the *principal contractor* shall designate one or more persons from among his employees who shall direct his work and ensure that the tasks assigned, including to his *members*, are correctly performed;
 - b) shall take part in meetings concerning the supervision, monitoring and evaluation of the *project* which are relevant to them
4. The Commission may be assisted by independent experts in the framework of the meetings referred to under paragraph (3)(b) of this Article.

It shall take appropriate steps to ensure that such experts treat confidentially the data that are communicated to them. Prior to such meetings, it shall disclose to the *principal contractor* the identity of the experts scheduled to attend. It shall take account of any objection on the part of the *participants* based on *legitimate interests*.

Article 3 - The Community's financial contribution

1. The Community's financial contribution shall be paid to the *principal contractor* in accordance with the following principles:
- (a) An initial advance shall be paid within a maximum period of 60 days running from the date of the last signature of the *contracting parties*. The period of 60 days may be suspended until the date of receipt by the Commission of all the *membership agreements* duly signed by the *participants*. The *coordinator* shall allocate the advance in accordance with the table of the indicative breakdown of estimated *eligible costs* following the signatures to this contract.

If the *project* has not effectively commenced within three months of the payment of the initial advance, the Commission may:

- (i) either terminate the contract pursuant to Article 8(3)(a) of this Annex, or
 - (ii) decide to add interest to the initial advance from the date of payment until the effective date of commencement of the work at the rate applied by the European Central Bank for its main refinancing operations applicable on the first day of the month during which the three-month time-limit has expired. Such interest shall be deducted from the subsequent payment made by the Commission.
- (b) Periodic payments shall be made within a maximum period of 60 days from the date on which the Commission approves or is deemed, in accordance with Article 4(3), fourth subparagraph, of this Annex, to have approved the periodic reports and the corresponding cost statements, or other *project deliverables*.

The amounts of the periodic payments shall be calculated on the basis of the *eligible costs* approved by the Commission. When each periodic payment is made, an amount corresponding to part of the initial advance shall be retained, calculated on the basis of the relationship between the *eligible costs* approved by the Commission and the forecasts of expenses for the period in question.

- (c) The final payment of the Community's financial contribution shall be made within a maximum period of 60 days from the date on which the Commission approves or is deemed, in accordance with Article 4(3), fourth subparagraph, of this Annex, to have approved the last *project deliverable*.

The final payment shall correspond to the difference between the total amount of *eligible costs* approved by the Commission and the amount of the initial advance and any periodic payments. However, the Community's total financial contribution may not exceed the maximum amount provided for in Article 3(2) of this contract.

The payments referred to at points (a) to (c) of the first subparagraph of this paragraph shall be regarded as having been effected on the date on which the Commission's account is debited.

The Commission may suspend the period of 60 days referred to under (b) and (c) of the first subparagraph of this paragraph at any time by notifying the *principal contractor* concerned that it considers that additional checks should be carried out. The period shall continue to run once the Commission has completed the additional checks.

On expiry of the period provided for and without prejudice to the third subparagraph of this paragraph, the *principal contractor* may claim, at the latest within two months of receiving the late payment, interest at the rate applied by the European Central Bank for its main refinancing operations applicable on the first day of the month during which the time-limit has expired, plus one and a half percentage points. The interest shall cover the period running from the day after the time-limit for payment until the date of actual payment.

2. Where the Commission suspects fraud or serious financial irregularity on the part of a *participant*, it may suspend payments. The *participant* concerned shall remain bound by his contractual obligations pursuant to this contract or the *membership agreement*.
3. Subject to Article 21 of this Annex, all payments shall be treated as advances until the last *project deliverable* is approved.
4. Where the total financial contribution due from the Community, taking into account any adjustments, including as a result of a financial audit as referred to in Article 21 of this Annex, is less than the total amount of the payments referred to in paragraph 1, first subparagraph, of this Article, the *principal contractor* shall reimburse the difference in euro, within the time-limit set by the Commission in its request sent by registered letter with acknowledgment of receipt.

In the event of non-reimbursement by the *participant* within the time-limit set by the Commission, the latter shall add interest to the sums due at the rate applied by the European Central Bank for its main refinancing operations on the first day of the month during which the time-limit set by the Commission has expired, plus one and a half percentage points, unless interest is due pursuant to another provision of this contract. The interest shall cover the period running from the day after the expiry of the time-limit until the date of receipt of the funds to be reimbursed.

Bank charges resulting from any reimbursement of sums due to the Community shall be borne exclusively by the *participant* concerned.

A recovery order regarding payments made by the Commission drawn up by the latter and transmitted to the *principal contractor* in accordance with Article 21(4) of this Annex shall be enforceable within the meaning of Article 256 of the Treaty establishing the European Community.

The Commission may decide to set off sums to be reimbursed to the Community against sums of any kind due to the *principal contractor* or *member* concerned.

5. After the *contract completion date*, the termination of the contract or of the participation of the *principal contractor* or a *member*, the Commission may or shall, as appropriate, request from the *principal contractor*, including with regard to one of his *members*, repayment of the entire Community contribution paid to it, where fraud or serious financial irregularities are discovered in the course of an audit. Interest at the rate applied by the European Central Bank for its main refinancing operations on the first day of the month during which the *principal contractor* received the funds plus two percentage points shall be added to the amount to be repaid. The interest shall cover the period between the receipt of the funds and their repayment.

Article 4 - Submission of *project deliverables*

1. As regards reports:

- (a) The *principal contractor* shall submit the following reports for approval by the Commission :

- (i) periodic reports containing information about the progress of work, resources employed, departures from the work schedule, and results,

- (ii) where appropriate, supplementary reports containing information required by Annex I to this contract,
 - (iii) a final report covering all the work, objectives, results and conclusions, including a summary of all the latter,
 - (iv) where the reports referred to in points (i), (ii) and (iii) cannot be published in full, they shall, in addition, be presented in a suitable form for publication by the *contracting parties*.
- (b) The layout of the reports shall conform to the rules communicated by the Commission. The reports for publication should be of a suitable quality to enable direct reproduction.
2. As regards the cost statements:
- a) The cost statements shall be expressed in euro and in the currency used in the accounting of the *participant*. The euro conversion and exchange rates for cost statements and related payments shall be the rates published by the Commission for the implementation of the budget and in force on the first working day of the month following the period covered by the cost statement concerned. No account shall be taken of exchange rate gains or losses between the time of establishment of the cost statement and the receipt of the corresponding payment.
 - b) The *principal contractor* shall send two cost statements to the Commission: a statement of its own *eligible costs* in the format specified in part E-1 and an integrated cost statement in euro covering all the costs incurred by all its *members* in the format specified in part E-2.
 - c) Each *member* shall submit a cost statement to the *principal contractor* in the format specified in part E-1.

The *principal contractor* shall keep a copy of its *members'* cost statements for the purposes of auditing in accordance with Article 21 of this Annex.

Participants that do not benefit from a financial contribution from the Community are required to submit only a description of the efforts deployed and the resources used in order to carry out the *project*.

3. Each periodic report and the corresponding cost statement(s), including the integrated cost statement(s), as well as, where appropriate, each supplementary report shall be submitted to the Commission within two months of the end of the period covered by the report.

The final report and the cost statement for the final period, including the integrated cost statement, shall be submitted to the Commission within two months of the end of the *duration of the project*.

The other *project deliverables* shall be submitted by the deadlines specified in Annex I to this contract.

In the absence of observations by the Commission, the *project deliverables* shall be deemed to be approved within two months of their receipt.

4. The Commission reserves the right to withhold part or, exceptionally, all of the payment of the Community's financial contribution until the period covered by the next cost statement in case of failure to submit, within the time-limit set out in paragraph 3 of this Article or in Annex I as relevant, a cost statement or a periodic report or other *project deliverables*.

The Commission may decide not to make the payment corresponding to the costs incurred during the final period in case of failure to submit, within the time-limit set out in paragraph 3 of this Article:

- the cost statement for the final period,
- the final report or other *project deliverable*,

subject to one month's written notice of non-receipt of that document.

Article 5 - Membership agreements

1. The *principal contractor* shall conclude a *membership agreement* with each of his *members*. No *member* may enjoy the benefits of this contract until his *membership agreement* has entered into force.
 - (a) When concluding *membership agreements*, the *principal contractor* shall ensure that:
 - (i) the *membership agreements* are in conformity with this contract;
 - (ii) his *members*:
 - perform the tasks assigned to them in accordance with Annex I to this contract,
 - acquire identical rights to those of the *principal contractor* pursuant to this contract,
 - receive their share of the Community's financial contribution in accordance with the conditions of the *membership agreements* concluded in accordance with this Article after receipt of the funds paid by the Commission.
 - (b) The *membership agreement* shall be drawn up on the basis of the model in part F of this Annex.
 - (c) The *principal contractor* must submit, with each periodic report and with the final report, a list of his *members*, specifying the date of entry into force or the date of termination of each *membership agreement*.
 - (d) The *principal contractor* shall include in the *membership agreement* appropriate provisions to enable the Commission or its authorised representatives as well as, where appropriate, the Court of Auditors, to carry out the financial audits and technical verifications in accordance with Articles 21 and 22 of this Annex.

Article 6 - Subcontracts

1. *Participants* may conclude *subcontracts* where this proves necessary for the performance of their work. No *subcontract* may be concluded for the performance of coordination tasks pursuant to this contract.

Unless Annex I to this contract contains sufficient detailed data, the Commission's prior written approval is required:

(a) where the cumulative amount of the *subcontracts* of the *participant* exceeds:

- 20% of his estimated *eligible costs*,
- EUR 100 000,

whichever amount is the lower;

(b) where the *subcontractor* is established in a *third country*, unless the *participant* is established there.

In the absence of observations within one month of receipt of the request made by the *principal contractor*, the Commission's approval shall be deemed to be granted.

2. The *participants* shall ensure that *subcontracts* include an obligation for the *subcontractors*:
 - to submit invoices making reference to the *project* and giving details of the service or supply concerned,
 - to submit to the audits provided for in Articles 21 and 22 of this Annex.

Article 7 - Liability

1. The liability of the *contracting parties* amongst themselves with regard to any losses, damages or injuries suffered in the context of the performance of this contract shall be governed by the law indicated in Article 5(1) of this contract.
2. The measures to be taken in the event of *force majeure* shall be agreed between the *contracting parties*. The *contracting parties* expressly agree that any defect in respect of a product or service used in the performance of this contract and affecting such performance, including, for example, anomalies in the functioning or performance of such product or service resulting from or linked to the millennium date change (year 2000 problem), does not constitute *force majeure*.
3. The Community cannot be held liable for acts or omissions of the *participants* in the performance of this contract. It shall not be liable for any defects in respect of any products or services created on the basis of *knowledge* resulting from the *project*, including, for example, anomalies in the functioning or performance thereof resulting from or linked to the millennium date change (year 2000 problem).

The *participants* shall fully guarantee the Community, and shall undertake to indemnify it in the event of any action, complaint or proceeding brought by a third party against it as a result of damage caused either by an act or omission of the *participants* in the performance of this contract or on account of any products or services created on the basis of *knowledge* resulting from the *project* only to the extent that the *participants* have contributed to or are responsible for the loss or damage concerned.

4. In the event of any action brought by a third party against the Community in connection with the performance of this contract, the *principal contractor* who may bear responsibility shall be required to assist the Community.
5. In the event of any action brought by a third party against the *principal contractor* in connection with the performance of this contract, the Commission may, without prejudice to paragraph 1 of this Article, assist the latter upon written request. The costs incurred by the Commission in this connection shall be borne by the *principal contractor*.

Article 8 - Termination of the contract or of the participation of the *principal contractor* or *member*

1. The Commission may terminate the contract or the participation of the *principal contractor* for major technical or economic reasons substantially affecting the *project* (including where the resumption of the performance of the contract following its suspension on account of *force majeure* proves impossible).

The Commission shall determine, in a registered letter with acknowledgment of receipt, the notice period, which shall not exceed one month from the date of receipt of such letter.

2. The Commission shall not object :
 - a) to the termination of the contract, at the written request of the *principal contractor*, on the grounds mentioned in paragraph 1 of this Article,
 - b) to the withdrawal of the *principal contractor* from the *project* provided that the replacement of the *principal contractor* by a *member* or by a third party proposed by the *members* has been expressly approved by the Commission.

The termination of the contract or the withdrawal of the *principal contractor* shall be effective:

- on the date of the letter of acceptance by the Commission notified by registered letter with acknowledgment of receipt,
 - at the latest one month following receipt of notification by the *principal contractor* in the absence of written observations by the Commission within that time-limit.
3. The Commission may immediately terminate this contract or the participation of the *principal contractor* or request the *principal contractor* to terminate the participation of one of his *members* from the date of receipt of the registered letter with acknowledgement of receipt sent by the Commission or, in the case of a *member*, by the *principal contractor* in accordance with paragraph 6, third subparagraph, of this Article:
 - (a) where the *project* has not effectively commenced within three months of the payment of the initial advance and the new date proposed is considered unacceptable by the Commission,
 - (b) where the *participant* has not fully performed his contractual obligations despite a written request from the Commission, or, in the case of a *member*, the *principal contractor*, to remedy a failure to comply with such obligations within a period not exceeding one month,

- (c) where a *change of control* over the *principal contractor* is likely substantially to affect the *project* or the *interests of the Community*,
 - (d) in the event of bankruptcy, of winding up, of cessation of trading, of winding up by court order or composition, suspension of activities of a *participant* or any similar proceeding provided for by national laws or regulations and leading to a similar result,
 - (e) in the event of a serious financial irregularity.
4. The Commission shall immediately terminate this contract or the participation of the *principal contractor* or shall request the *principal contractor* to terminate the participation of one of his *members* from the date of receipt of the registered letter with acknowledgement of receipt sent by the Commission or, in the case of a *member*, by the *principal contractor* in accordance with paragraph 6, third subparagraph, of this Article:
- (a) where the conditions for participation in the *project* mentioned in Articles 3 to 12 of the *Decision* are no longer satisfied, unless it considers that the *project* is essential to the implementation of the specific programme,
 - (b) where the *participant* has made false declarations for which he may be held responsible or has deliberately withheld information in order to obtain the Community's financial contribution or any other advantage provided for in the contract.
5. Any letter from the Commission to terminate the participation of the *principal contractor* or a *member* or to terminate a contract shall be addressed to the *principal contractor* in accordance with the procedures set out in paragraphs (1) to (4) of this Article.
6. The *principal contractor* shall take appropriate action to cancel or reduce his commitments upon receipt of the letter from the Commission notifying him of the termination of the contract or of his participation or upon the dispatch of his termination or withdrawal request, as the case may be.

The same obligation shall apply to *members* from the date of receipt of the letter from the *principal contractor* notifying them of the termination of the contract or of their participation in accordance with the third subparagraph of this paragraph.

In the case of a request from the Commission to the *principal contractor* to terminate the participation of a *member*, the *principal contractor* shall have a period of 15 days to send to the *member* the Commission's request to terminate the participation of that *member*.

The Commission will not reimburse a *member's* costs if they are due to the fact that the *principal contractor* omitted to send the termination notice referred to in paragraph 3, points (b), (c), (d) and (e) or paragraph 4, points (a) and (b) of this Article within the time-limit specified in the third subparagraph of this paragraph.

In the event of termination of the contract or of the participation of the *principal contractor* pursuant to paragraph 1 or paragraph 2, first subparagraph, point (a), of this Article, the Community's financial contribution shall cover *eligible costs* relating to *project deliverables* approved by the Commission and also *eligible costs* subsequently incurred in good faith before the date mentioned in the first subparagraph of this paragraph.

In the event of termination of the contract or of the participation of the *principal contractor* or a *member*:

- (a) pursuant to paragraph 3, first subparagraph, point (b) or (d) of this Article, the Commission may require repayment of all or part of the Community's financial contribution, taking into account the nature and results of the work carried out and its usefulness to the Community in the context of the specific programme concerned,
 - (b) pursuant to paragraph (3)(c) or paragraph (4)(a) of this Article, only the *eligible costs* relating to *project deliverables* approved by Commission and incurred before the event which caused the termination of the contract or of the participation of the *principal contractor* or *member*, and also *eligible costs* subsequently incurred in good faith before the date mentioned in the first subparagraph of this paragraph in the case of the *principal contractor* or in the second subparagraph of this paragraph in the case of a *member*, shall be reimbursable,
 - (c) pursuant to paragraph 3(a) or (e) or paragraph 4(b) of this Article, the Commission may require reimbursement of all or part of the Community's financial contribution. Interest at a rate of 2% above the rate applied by the European Central Bank for its main refinancing operations on the first day of the month during which the *principal contractor* received the funds will be added to the amount to be repaid. The interest shall cover the period between the receipt of the funds and their repayment.
7. The termination of the participation of the *principal contractor* or a *member* shall not prejudice the non-commercial user rights for the carrying out of the *project* which he granted before that date pursuant to Article 11 of this Annex. He must grant such rights under the conditions set out in that Article to any *participant* taking over all or part of the work incumbent on him.
 8. The *participants* shall submit the *project deliverables* relating to the work performed until the date of termination of the contract or when their participation ends.
 9. The contract shall not be terminated in the event of the termination of the participation of the *principal contractor* pursuant to paragraph 1 or paragraph 2, first subparagraph, point (b) of this Article. However, the replacement of the *principal contractor* by a *member* or by a third party proposed by the *members* shall require express approval by the Commission.

Except in the case of duly substantiated exceptions, the contract shall be terminated in the event of the termination of the participation of the *principal contractor* pursuant to the paragraphs 3 and 4 of this Article.

PART B: RULES RELATING TO INTELLECTUAL AND INDUSTRIAL PROPERTY, PUBLICITY AND CONFIDENTIALITY

Article 9 - Ownership of knowledge

1. *Knowledge* shall be the property of the *principal contractor* and *members* carrying out the work generating that *knowledge*.
2. Where several *participants* have carried out the work generating the *knowledge*, they shall agree among themselves on the allocation and the terms of exercising the ownership of the *knowledge* in accordance with this contract.
3. If persons employed by a *participant* may claim rights to *knowledge*, the latter shall take steps or reach appropriate agreements to ensure that these rights are exercised in a manner compatible with its obligations under this contract.
4. Where a *participant* transfers ownership of *knowledge*, he shall take steps or conclude agreements to pass on his obligations under this contract to the assignee, in order to take account, inter alia, of the *interests of the Community* and in compliance with international agreements concluded by the Community.

The *participant* concerned shall inform the other *participants* in advance of the conditions of the assignment.

Article 10 - Protection of knowledge

Participants who own *knowledge* shall provide adequate and effective protection for such *knowledge*.

Article 11 - Making available *knowledge* not resulting from the *project* and *pre-existing know-how*

1. *Non-commercial user rights* shall be granted by all *participants*, on request in accordance with paragraphs 2 and 4 of this Article, provided that the *participant* concerned is free to grant such rights.
2. The granting of *non-commercial user rights* may be made conditional on the conclusion of specific agreements aimed at ensuring that they are used only for the intended purpose and appropriate confidentiality agreements.
3. *Participants* shall enjoy, on a royalty-free basis, *non-commercial user rights* to the *knowledge* not resulting from the *project* and to *pre-existing know-how*, generated during the performance of the research work associated with the content of the *project* and needed to carry out their work in the framework of the *project*.
4. *Participants* shall enjoy, on *favourable conditions*, *non-commercial user rights* to *knowledge* not resulting from the *project* and to *pre-existing know-how*, generated during the performance of the research work not associated with the content of the *project* and needed to carry out their work in the framework of the *project*.
5. *Non-commercial user rights* shall be granted until the end of the *duration of the project*.

Article 12 - Dissemination of knowledge

1. *Participants* shall be required to disseminate, or cause to be disseminated, *knowledge* which they own and which lends itself to *dissemination*.
2. *Participants* shall agree with the Commission on the terms of the *dissemination* of the *knowledge* within a reasonable time-limit, in accordance with the need to safeguard intellectual and industrial property rights, confidentiality, and their *legitimate interests*.

Article 13 - Publicity and communications concerning the project and knowledge resulting from the project

1. Taking into account their *legitimate interests*, *participants* shall, throughout the *duration of the project*, take appropriate measures to ensure suitable publicity for the *project* in order to highlight the support provided by the Community. The Commission may agree on such measures with the *participants*.

Participants shall give the Commission general data in advance concerning the proposed publicity.

2. The Commission may disseminate, by any appropriate means and for as long as necessary, general data relating in particular to the objectives, the estimated total cost, the duration and the state of progress of the *project*, to the Community's financial contribution and to the *knowledge* as they are set out in the final report. The legal designation of *participants* and the names of the laboratories carrying out the work shall also be published unless they object to this in advance, in good time, on the grounds of overriding *legitimate interests*.

Where the measures referred to in the first subparagraph presuppose access by the Commission or its duly authorised representatives to the premises of *participants*, the latter may refuse such access on the grounds of *legitimate interests*.

On request and where he is free to do so, each *participant* shall grant the Commission an irrevocable, non-exclusive right, on a royalty-free basis, to translate, reproduce and distribute articles for scientific and technical journals, conference papers and other documents drawn up in the framework of the *project* and published by the *participant*.

3. Any communication or publication, whatever the form or medium (including the Internet), concerning the state of progress of the *project* or concerning the *knowledge*:
 - shall mention the relevant specific programme and the support provided by the Community,and
 - shall, where it is made by the *participant*, state that the author is solely responsible for it and that it does not represent the opinion of the Community, and that the Community is not responsible for any use that might be made of data appearing therein.

Where use of the European emblem is envisaged, prior approval shall be required from the Commission. Standards, in particular with regard to graphics, in force within the Commission must be complied with.

Article 14 - Confidentiality

1. Without prejudice to Article 13 of this Annex and any other obligation contained in this contract, the *contracting parties* and *members* shall be required to keep confidential any data, *knowledge*, document and *pre-existing know-how* communicated to them on a confidential basis or the disclosure of which may be prejudicial to one of them.

This obligation shall no longer apply:

- where the content of such data, *knowledge*, documents and *pre-existing know-how* becomes publicly available through work or actions lawfully performed outside this contract and not based on activities under it,
 - where such data, *knowledge*, documents and *pre-existing know-how* have been communicated without any confidentiality restrictions or where the disclosing party subsequently waives their confidentiality.
2. Where this contract provides for the communication of any data, *knowledge*, *pre-existing know-how* or document referred to in paragraph 1 of this Article, the *contracting parties* and *members* shall first satisfy themselves that the recipient will keep it confidential and use it only for the purpose for which it is communicated.
 3. *Participants* shall take appropriate steps to ensure that the experts referred to in Article 18(3)(b) of this Annex keep confidential any information, *knowledge*, or any other element communicated to them on a confidential basis.

Article 15 - Communication of data for evaluation purposes

1. Without prejudice to Article 14 of this Annex, *participants* shall be required to provide, at the request of the Commission or its authorised representatives, data necessary for:
 - the continuous review of the specific programme concerned and the fifth framework programme,and
 - the evaluation of Community activities over the five years preceding that evaluation.

Such a request may be made throughout the duration of the contract and up to five years after the *contract completion date*.

The data collected shall be used exclusively in a statistical form.

2. Without prejudice to the provisions regarding protection and confidentiality, set out respectively in Articles 10 and 14 of this Annex, *participants* must inform the Commission and the standardisation bodies without delay of *knowledge* resulting from the *project* which may contribute to the preparation of European or, where appropriate, international standards, or to an industrial consensus on technical issues. To this end, they shall communicate appropriate data on such *knowledge* to the Commission and to the standardisation bodies during the entire duration of the contract and the two years following the *contract completion date*.

The provisions of this contract shall be without prejudice to the rules applicable, within the standardisation bodies, to data transmitted to them.

Article 16 - Incompatible or restrictive commitments

1. *Participants* shall take all necessary steps to avoid commitments that are incompatible with the obligations provided for in Articles 10 to 15 of this Annex.
2. Without prejudice to paragraph 1 of this Article, *participants* shall be informed, as soon as possible, by the *participant* required to grant *non-commercial user rights*, as referred to in Article 11 of this Annex, as appropriate, of any limitations on the granting of *rights to knowledge* resulting from the *project* or any restriction which might substantially affect the granting of *non-commercial user rights*.

PART C: REIMBURSEMENT OF COSTS

Article 17 - Eligible costs - general principles

1. *Eligible costs* are the costs defined in Articles 18 and 19 of this Annex. They shall fulfil the following conditions:
 - be necessary for the *project*,
 - be incurred during the *duration of the project*.
 - be determined in accordance with the accounting principle based on historic costs and the usual internal rules of the *participant*, provided that they are regarded as acceptable by the Commission,
 - be recorded in the accounts no later than the *contract completion date* or in the tax documents,
 - exclude any profit margin.

and

- concern in principle only costs essential for administration, management and coordination of the *project*. They shall not include costs relating to the research work itself.

Without prejudice to the provisions of the first subparagraph, the costs for drawing up the final report shall be eligible when incurred by the *principal contractor* within a maximum period of two months as of the end of the *duration of the project*.

A *member* may not commit himself to costs before the date of entry into force of his *membership agreement*.

2. Non-eligible costs are in particular the following:
 - costs related to capital employed,
 - provisions for possible future losses or charges,
 - interest owed,
 - provisions for doubtful debts,
 - resources made available to a *participant* free of charge,
 - value of contributions in kind,

- unnecessary or ill-considered expenses,
 - marketing, sales and distribution costs for products and services,
 - indirect taxes and duties, including VAT,
 - entertainment or hospitality expenses, except such expenses accepted by the Commission as being absolutely necessary for carrying out the contract,
 - any cost incurred or reimbursed, in particular in respect of another Community, international or national project.
3. A cost shall only be charged to one of the *eligible cost* categories set out in Articles 18 and 19 of this Annex.
4. The *principal contractor* shall be authorised to transfer the budget between categories of *eligible costs* as set out in the table of the indicative breakdown of estimated *eligible costs*, provided that:
- he informs the Commission of such transfer after signing an agreement confirming that the scope of the *project* and the conditions of participation referred to in Articles 3 to 12 of the *Decision* are not fundamentally altered,

and

- the total amounts successively transferred do not exceed 20% of the amount allocated to the beneficiary cost category set out in the table of the indicative breakdown of estimated eligible costs.

Any other properly substantiated transfer shall require prior written approval by the Commission.

In the absence of observations within one month of receipt of the request made by the *principal contractor*, the approval of the Commission shall be deemed to have been given.

Article 18 - Direct costs

1. Personnel

With regard to personnel costs:

- (a) Personnel costs include only the administrative, management and coordination costs for the *project* and the preparation of reports.

Only the costs of the actual hours worked on the *project* by personnel: (i) directly hired by the *participant* in accordance with his national legislation, (ii) directly and principally responsible for the management and coordination of the *project*, and (iii) remunerated in accordance with the normal practices of the *participant*, provided that these are regarded as acceptable by the Commission, may be charged to the contract. They shall not include costs related to research work by the above-mentioned personnel. The costs of unskilled personnel, administrative personnel and secretarial personnel not charged as direct costs pursuant to this article shall be deemed to be covered by the contribution to overheads provided for in Article 19 of this Annex.

All the working time charged to the contract must be recorded throughout the *duration of the project*, or in the case of the *principal contractor*, no later than two months after the end of the *duration of the project*, and be certified at least once a month by the person in charge of the work or by the duly authorised financial officer of the *participant*.

(b) Personnel costs shall comprise:

- average employment costs, where these correspond to the normal practices of the *participant* concerned, provided that such costs do not differ significantly from the actual costs and that such practices are regarded as being acceptable by the Commission,
- the actual costs (gross remuneration and related charges).

2. Subcontracting

With the exception of costs charged to the contract pursuant to paragraph 1 of this Article, the actual costs of *subcontracts* may be charged to the contract if:

- they are incurred in compliance with the conditions set out in Article 6 of this Annex,
- the *subcontracts* are awarded and concluded in accordance with the usual procedures of the *participants*,
- they are in accordance with market prices,

and

- the copies, certified by the *principal contractor*, of relevant invoices are attached to the corresponding cost statements.

3. Travel and subsistence

(a) Actual travel and related subsistence costs for personnel working on the *project* in accordance with paragraph 1 of this Article may be charged to the contract.

The prior agreement of the Commission shall be required for any destination outside the territory of the Member States, the *Associated States* or a *third country* where a *participant* is established, unless such a destination is provided for in Annex I.

In the absence of observations within one month of receipt of the request made by the *principal contractor*, the Commission's approval shall be deemed to have been given.

Travel and subsistence costs shall be established on the basis of the usual rules of the *participant*.

The costs may include:

- the costs of attendance at meetings of some or all *participants*,

- travel and subsistence costs relating to visits to other *participants* in the *project*, meetings organised with the *participants*, and short-term exchanges of personnel (not exceeding three months) between *participants*.
- (b) Travel and subsistence costs relating to visits to *participants* or meetings organised with *participants* by experts invited by the *principal contractor* may be charged to the *project*.

The prior agreement of the Commission shall be required for any expert from a territory outside the Member States, the *Associated States* or a *third country* where a *participant* is established (that agreement shall be deemed to have been granted if the journey was mentioned in Annex I).

4. Computing

Computing costs, including the costs resulting from the use of computer services and media at the disposal of *participants*, may be charged to the contract. They must be substantiated in accordance with the rules applicable to the *participants*.

5. Other specific costs

(a) The costs relating to the following ancillary services may be charged to the *project* if they concern the coordination of the research associated with the *project*:

- costs relating to supply, and to preparation and selection work, e.g. in the event of exchange of reference materials and products between *participants*,
- the costs of organising meetings of some or all *participants*, but excluding personnel cost charged in accordance with paragraph 1 of this Article, travel and subsistence costs charged in accordance with paragraph 3 of this Article and overheads charged in accordance with Article 19 of this Annex,
- the cost of publications, including newsheets, intended to disseminate, whatever the medium, including the Internet, information concerning the work carried out in the framework of the *project*,
- direct costs related to the setting up of financial guarantees at the request of the Commission.

(b) Other specific actual costs not coming into any of the categories of *eligible costs* indicated in paragraphs 1 to 5(a) of this Article and in Article 19 of this Annex shall only be eligible subject to prior written approval by the Commission unless they are already provided for in Annex I to this contract.

In the absence of observations within one month of receipt of the request made by the *principal contractor*, the Commission's approval shall be deemed to have been given.

Article 19 - Indirect costs

A flat-rate amount of 20% of the direct costs, but excluding subcontracting costs, may be charged as overheads related to the carrying out of the work specified in the *project*. Such

overheads are intended to include *inter alia* the costs of non-specialist personnel, administrative personnel and secretarial personnel not charged as direct costs pursuant to Article 18 of this Annex, as well as the depreciation of buildings and equipment, water, electricity, telecommunications and postal charges, and office supplies.

Article 20 - Justification of costs

Eligible costs shall be reimbursed where they are justified by the *participant*.

To this end, the *participant* shall maintain, on a regular basis and in accordance with the normal accounting conventions of the State in which he is established, the accounts for the *project* and appropriate documentation to support and justify in particular the costs and time reported in his cost statements.

This documentation must be precise, complete and effective.

PART D : AUDITING

Article 21 - Financial audit

1. The Commission, or any representative authorised by it, may initiate an audit in respect of a *participant* at any time during the contract and up to five years after each payment of the Community contribution, as referred to in Article 3(1), first subparagraph, of this Annex.

The audit procedure in respect of the *principal contractor* shall be deemed to be initiated on the date of receipt of the relevant registered letter with acknowledgment of receipt sent by the Commission to the *principal contractor* concerned.

In the case of an audit procedure in respect of a *member*, the *principal contractor* shall have a period of 15 days from the date of receipt of the letter from the Commission to send the letter relating thereto to the *member* concerned .

The audit procedure in respect of a *member* shall be deemed to start on the date of receipt of a registered letter with acknowledgment of receipt from the Commission sent by the *principal contractor* concerned to the *member* concerned.

The audit procedure shall be carried out on a confidential basis.

2. The Commission or any authorised representative may have access, at any reasonable time, in particular to the personnel of the *participant* connected with the *project*, the documentation referred to in Article 20 of this Annex, computer records and equipment that it considers relevant. In this connection, it may request that data be handed over to it in an appropriate form in order, for instance, to ascertain the eligibility of the costs.

The Commission shall take appropriate steps to ensure that its authorised representatives treat confidentially the data to which they have access or which have been provided to them.

3. On the basis of the findings made during the financial audit in respect of the *principal contractor*, a provisional report shall be drawn up. It shall be sent by the Commission to the *principal contractor*, who may make observations thereon within one month of receiving it.

The final report is sent to the principal contractor. The latter may make his observations to the Commission within one month of receiving it. The Commission may decide not to take into account the observations conveyed after the deadlines.

Where findings are established during a financial audit in respect of a *member*, the *principal contractor* shall have a maximum period of 15 days to send the *member* concerned, by registered letter with acknowledgment of receipt, the provisional report drawn up by the Commission.

The former shall have a maximum period of one month from the date of receipt thereof to transmit observations to the *principal contractor* by registered letter with acknowledgment of receipt.

The *principal contractor* concerned shall then have a maximum period of 15 days to transmit to the Commission, by registered letter with acknowledgment of receipt, the observations of the *member* concerned.

The procedure and time-limits indicated in paragraph 3, third, fourth and fifth subparagraphs, of this Article shall apply *mutatis mutandis* to the final report from the Commission in the case of a financial audit in respect of a *member*.

The Commission may decide not to take into account observations conveyed after the deadlines.

4. On the basis of the conclusions of the audit, the Commission shall take all appropriate measures which it considers necessary, including the issuing of a recovery order regarding all or part of the payments made by it. The recovery order shall be addressed to the *principal contractor* concerned or involved in the case of financial audit in respect of one of his *members*.
5. The Court of Auditors may verify the use made of the Community's financial contribution in the framework of this contract, on the basis of its own rules.

Article 22 - Technical verification of the project

1. The Commission, or any representative authorised by it, may initiate a technical verification in respect of a *participant* up to the *contract completion date* in order to verify that the *project* is being or has been carried out in accordance with the conditions indicated by the *principal contractor* or his *members*.

The verification procedure in respect of a *principal contractor* shall be deemed to be initiated on the date of receipt of the relevant registered letter with acknowledgment of receipt sent by the Commission to the *principal contractor* concerned.

In the case of a technical verification procedure in respect of a *member*, the *principal contractor* concerned shall have a period of 15 days from the date of receipt of the letter from the Commission to send the letter relating thereto to the *member* concerned.

The technical verification procedure in respect of a *member* shall be deemed to start on the date of receipt of the registered letter with acknowledgment of receipt concerning it from the *principal contractor*.

The technical verification procedure shall be carried out on a confidential basis.

2. The Commission or any authorised representative may have access to the locations and premises where the work is being carried out, and to any document concerning the work, and may request the submission of documents under the same conditions as those set out in Article 21(2) of this Annex.

Prior to the carrying out of the technical verification, the Commission shall communicate to the *principal contractor* and the *members* through the *principal contractor* the identity of the authorised representatives who are intended to perform the verification. It shall take account of any objection on the part of *participants* based on *legitimate interests*.

3. *Participants* shall provide appropriate assistance to the Commission or its authorised representatives.
4. A report on the technical verification of the *project* shall be sent to the *principal contractor*. The latter may communicate his observations to the Commission within one month of receiving it.

In the case of a technical verification procedure in respect of a *member*, the *principal contractor* shall have a period of 15 days to transmit to the *member* concerned the report on the technical verification of the *project* from the Commission. The *member* may, through the *principal contractor*, communicate his observations to the Commission within one month of receipt of the report.

The Commission may decide not to take into account observations conveyed after these deadlines.