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ANNEXES 1 to 2

ANNEXES

to the

Proposal for a Council Regulation

establishing the Shift2Rail Joint Undertaking

{SWD(2013) 534 final}

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ANNEXES
to the
Proposal for a Council Regulation
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ANNEX I - STATUTES OF THE JOINT UNDERTAKING

1- Definitions

1. 'Associated Member' means a legal entity or a grouping or consortium of legal entities, established in a Member State or in a country associated to the Horizon 2020 Framework Programme, that has been selected according to the procedure set out in clause 4(2), that fulfils the conditions set out in clauses 4(3) and 4(4), and that has accepted the present Statutes by signing a letter of endorsement;
2. 'Founding Member other than the Union' refers to the contributors listed in Annex II, having individually committed to an own contribution of at least EUR 30 million for the duration of the S2R Joint Undertaking and accepted the present Statutes by signing a letter of endorsement;
3. 'Innovation Programmes' or 'IPs' refer to the thematic areas around which the S2R Master Plan, referred to in paragraph 4, shall be structured. The IPs shall be selected for their capacity to best deliver performance benefits to one or more operating environments and reflect a railway system approach. Notwithstanding a decision of the Governing Board to modify this structure, the S2R Master Plan should foresee the creation of at least the five following IPs:
 - (a) Cost-efficient and Reliable High Capacity Trains;
 - (b) Advanced Traffic Management & Control Systems;
 - (c) Cost-efficient and Reliable High Capacity Infrastructure;
 - (d) IT Solutions for Attractive Railway Services;
 - (e) Technologies for Sustainable & Attractive European Freight.
4. 'S2R Master Plan' refers to a common, forward-looking strategic roadmap, to be developed by the S2R Joint Undertaking, in consultation with the European Railway Agency and the European Rail Research Advisory Council (ERRAC) Technology Platform, to drive innovation in the rail sector on the long term. It shall identify the key priorities and the essential operational and technological innovations required from all stakeholders to achieve the objectives of the S2R Joint Undertaking outlined in Article 2. It shall be performance driven and structured around a limited number of key thematic areas, or Innovation Programmes ("IPs"), referred to in paragraph 3. Once approved by the Governing Board of the S2R Joint Undertaking, it shall be endorsed by the Council, acting on a proposal from the Commission, and communicated to the European Parliament.

2 – Tasks

The S2R Joint Undertaking shall carry out the following tasks:

- (a) define, in the S2R Master Plan referred to in clause 1(4), the priority research and innovation activities, including large-scale demonstration activities, required to accelerate the penetration of integrated, interoperable and standardised technological innovations necessary to support the Single European Railway Area and to achieve operational excellence of the railway system, while increasing capacity and reliability and driving down costs of railway transport;
- (b) mobilise public and private sector funds for financing the activities in each of the Innovation Programmes defined in the S2R Master Plan;
- (c) translate the S2R Master Plan into detailed, result-oriented annual work plans, accompanied by detailed investment plans, that allow for continuity, synchronicity, and long-term investment;
- (d) ensure the supervision of activities related to the development of common products duly identified in the S2R Master Plan;
- (e) support financially research and innovation indirect actions, mainly through grants to its members and to participants through the most appropriate measures, such as procurement or the award of grants following calls for proposals to achieve the programme objectives, in accordance with Regulation (EU) No[...] laying down the rules for participation and dissemination in 'Horizon 2020 – the Framework Programme for Research and Innovation (2014-2020);
- (f) organise the technical work of research, development, validation and study, to be carried out under its authority while avoiding fragmentation of such activities;
- (g) ensure the effectiveness and efficiency of rail research and innovation activities and follow progress towards the achievement of the S2R Joint Undertaking objectives through adequate monitoring and evaluation processes;
- (h) pool user requirements and define interoperability standards to guide investment in research and innovation towards operational and marketable solutions;
- (i) develop close cooperation and ensure coordination with related European, national and transnational research and innovation activities in the rail sector, in particular under previous Framework Programmes and the Horizon 2020 Framework Programme, thereby enabling the S2R Joint Undertaking to become a central reference point for all rail-related research and innovation funding at EU level;
- (j) establish and develop close and long-term cooperation between the Union, the rail manufacturing industry and other stakeholders required to develop pioneering innovations and ensure a strong market uptake of innovative solutions, including the rail operating community and other rail stakeholders, as well as actors outside the traditional rail sector;
- (k) liaise with national and international research and innovation activities in the rail technical domain, in particular via the European Rail Research Advisory Council (ERRAC) Technology Platform, as well as with those in other domains, such as the European Road Transport Research Advisory Council (ERTRAC), the Advisory Council for Aviation Research and Innovation in Europe (ACARE), the Waterborne European Technology Platform, the Future Manufacturing Technologies Platform (Manufuture), the Advanced Engineering Materials and Technologies Platform (EuMaT), and others;
- (l) stimulate the involvement of SMEs in its activities, in line with the objectives of the Horizon 2020 Framework Programme;

- (m) seek a geographically balanced involvement of members and partners in its activities;
- (n) undertake information, communication and dissemination activities by applying *mutatis mutandis* the provisions of Article 22 of Regulation (EU) No .../2013 [the Horizon 2020 Framework Programme].
- (o) any other task needed to achieve the objectives set out in Article 2 of this Regulation.

3 –Members

1. The following shall be members of the S2R Joint Undertaking:
 - (a) the Union, represented by the Commission,
 - (b) upon acceptance of these Statutes by means of a letter of endorsement, the Founding Members of the S2R Joint Undertaking other than the Union, listed in Annex II to this Regulation, as well as the Associated Members to be selected in accordance with clause 4. These members shall jointly be referred to as the members other than the Union.
2. The role and contribution of members other than the Union shall be defined in a membership agreement with the S2R Joint Undertaking. This agreement shall be negotiated with the Executive Director and transmitted to the Governing Board for approval. It shall provide a quantitative and qualitative description of the member's contribution to the S2R Joint Undertaking, defined in Article 4(2)(a), as well as the plan of additional activities referred to in Article 4(2)(b), and shall include provisions relating to the member's representation within the Governing Board.

4 –Changes to membership

1. Provided that it accepts the Statutes of the S2R Joint Undertaking and commits to contributing to the funding referred to paragraph 4 to achieve the objectives of the S2R Joint Undertaking set out in Article 2 of this Regulation, any legal entity, grouping or consortium of legal entities, established in a Member State or in a country associated to the Horizon 2020 Framework Programme, may apply to become an Associated Member of the S2R Joint Undertaking.
2. The Associated Members of the S2R Joint Undertaking shall be selected through an open, non-discriminatory and competitive call. The first call for Associated Members shall be launched within three months at the latest following the establishment of the S2R Joint Undertaking. Any additional calls shall be driven by the need for key capabilities to implement the S2R Master Plan. All calls shall be published on the S2R website and communicated through the States Representatives Group and other channels in order to ensure the widest possible participation in the interest of the achievement of the objectives of the S2R Master Plan. The S2R Joint Undertaking shall encourage the participation of SMEs, and of actors from the entire rail value chain, as well as from outside the traditional rail sector.
3. The Governing Board shall assess applications to become an Associated Member taking into account, *inter alia*, the relevance and the potential added value of the applicant for the achievement of the objectives of the S2R Joint Undertaking, the financial soundness of the applicant, and any potential conflicts of interest. It shall then decide on the application.

4. The minimum own contribution required in order to become an Associated Member shall be 2.5% of the total budget of the Innovation Programme in which it participates.
5. Any member may terminate its membership to the S2R Joint Undertaking. The termination shall become effective and irrevocable six months after notification to the other members. As of then, the former member shall be discharged from any obligations other than those approved or incurred by the S2R Joint Undertaking prior to terminating the membership.
6. Membership of the S2R Joint Undertaking may not be transferred to a third party without the prior and unanimous agreement of the Governing Board.
7. The S2R Joint Undertaking shall publish on its website immediately upon any change to membership pursuant to this clause, an updated list of members of the S2R Joint Undertaking together with the date when such change takes effect.

5 – Organisation of the Joint Undertaking

1. The bodies of the S2R Joint Undertaking shall be:
 - (a) the Governing Board;
 - (b) the Executive Director;
 - (c) the Scientific Committee;
 - (d) the States Representatives Group.
2. The Scientific Committee and the States Representatives Group are advisory bodies to the S2R Joint Undertaking.

6 – Composition of the Governing Board

The Governing Board shall be composed of a maximum of twenty members, including:

- (a) two representatives from the Commission;
- (b) one representative from each of the Founding Members of the S2R Joint Undertaking other than the Union;
- (c) at least one representative of Associated Members per Innovation Programme, referred to in clause 1(3). These representatives will be designated by the Governing Board of the S2R Joint Undertaking, with a view to ensuring balanced representation of actors from the entire rail value chain, as well as from outside the traditional rail sector.

7 – Functioning of the Governing Board

1. The Governing Board shall be chaired by the Commission.
2. The members of the S2R Joint Undertaking shall have a number of votes in proportion to their contribution to the funds of the Joint Undertaking. Notwithstanding the first sentence of this paragraph, the Commission shall have 50% of the voting rights. The vote of the Commission shall be indivisible and shall reflect the Union's position in the Governing Board.
3. The representatives shall use their best endeavours to achieve consensus. Failing consensus and notwithstanding paragraph 4, decisions of the Governing Board shall

be adopted by a majority of at least two thirds of all votes, including the votes of those who are not in attendance, unless otherwise provided for in these Statutes.

4. On decisions pertaining to the accession of Associated Members and to the representation of Associated Members in the Governing Board, the Commission shall have the casting vote if the majority of two thirds cannot be achieved.
5. The Governing Board shall adopt its rules of procedure which shall ensure that its proceedings run in a smooth and efficient manner. These rules shall include specific procedures for identifying and avoiding conflicts of interest.

The Governing Board shall meet at least three times a year. Extraordinary meetings shall be convened either at the request of one-third of the members of the Governing Board representing at least 30 % of the voting rights, at the request of the Commission or of the Executive Director;

The meetings shall normally take place at the seat of the Joint Undertaking;

The Executive Director shall have the right to take part in the deliberations, but shall have no voting rights.

A representative of the European Railway Agency and the chairperson or the vice-chair person of the States Representatives Group shall participate in the meetings of the Governing Board as observers.

The Governing Board may invite other persons to attend its meetings as observers.

8 – Tasks of the Governing Board

The Governing Board shall have overall responsibility for the strategic orientation and the operations of the S2R Joint Undertaking and shall supervise the implementation of its activities. In particular, the Governing Board shall carry out the following tasks:

- (a) adopt the S2R Master Plan and any proposal to modify it;
- (b) adopt the S2R Joint Undertaking's annual work plan and the corresponding expenditure estimates, as proposed by the Executive Director after having consulted the Scientific Committee and the States Representatives Group;
- (c) assess, accept or reject applications for new membership in accordance with clause 4;
- (d) decide on the termination of the membership in the S2R Joint Undertaking of any Member that does not fulfil its obligations and on the conditions of this termination;
- (e) approve the membership agreements referred to in clause 3(2) after having consulted, where appropriate, an ad hoc advisory group;
- (f) adopt the financial rules of the Joint Undertaking in accordance with Article 5 of this Regulation;
- (g) adopt the S2R Joint Undertaking's annual budget, as proposed by the Executive Director, including the staff establishment plan indicating the number of temporary posts by function group and by grade as well as the number of contract staff and seconded national experts expressed in full-time equivalents;
- (h) exercise the appointing authority powers with respect of the staff, in accordance with Article 6(2) of this Regulation;
- (i) appoint, dismiss, extend the term of office of, provide guidance to and monitor the performance of the Executive Director;

- (j) approve the organisation chart upon recommendation of the Executive Director;
- (k) approve the annual accounts;
- (l) approve the annual activity report, including the corresponding expenditure;
- (m) arrange, as appropriate, for the establishment of an internal audit capability of the S2R Joint Undertaking;
- (n) develop procedures for open and transparent calls and approve the calls as well as, where appropriate, the related rules for submission, evaluation, selection, award and review procedures;
- (o) approve the list of actions selected for funding;
- (p) where appropriate, set up working groups referred to in clause 14 in addition to the bodies to the S2R Joint Undertaking;
- (q) where appropriate, establish implementing rules in line with Article 6(3) of this Regulation, as well as rules on the secondment of national experts to the S2R Joint Undertaking and on the use of trainees in line with Article 7 of this Regulation;
- (r) where appropriate, submit to the Commission any request to amend this Regulation proposed by any Member of the S2R Joint Undertaking;
- (s) decide on proposals to the Commission on the extension or the winding up of the Joint Undertaking;
- (t) exercise any task that is not specifically allocated to one of the bodies of the S2R Joint Undertaking, which it may assign to one of those bodies.

9 – Appointment, dismissal or extension of the term of office of the Executive Director

1. The Executive Director shall be appointed by the Governing Board, from a list of candidates proposed by the Commission, following an open and transparent selection procedure.
2. The Executive Director is a member of staff and shall be engaged as a temporary agent of the S2R Joint Undertaking under Article 2(a) of the Conditions of employment of other servants of the Union.
3. For the purpose of concluding the contract with the Executive Director, the S2R Joint Undertaking shall be represented by the chairperson of the Governing Board.
4. The term of office of the Executive Director shall be five years. By the end of that period, the Commission shall undertake an assessment that takes into account an evaluation of the performance of the Executive Director and the S2R Joint Undertaking's future tasks and challenges.
5. The Governing Board, acting on a proposal from the Commission, which takes into account the assessment referred to in paragraph 4, may extend once the term of office of the Executive Director for no more than five years.
6. An Executive Director whose term of office has been extended may not participate in another selection procedure for the same post at the end of the overall period.
7. The Executive Director may be removed from office only upon a decision of the Governing Board acting on a proposal from the Commission.

10 – Tasks of the Executive Director

1. The Executive Director shall be the chief executive responsible for the day-to-day management of the S2R Joint Undertaking in accordance with the decisions of the Governing Board.
2. The Executive Director shall be the legal representative of the S2R Joint Undertaking. He/she shall be accountable to the Governing Board and perform his duties with complete independence within the powers assigned to him.
3. The Executive Director shall implement the budget of the S2R Joint Undertaking. He shall provide the Governing Board with all information necessary for the performance of its functions.
4. The Executive Director shall in particular:
 - (a) prepare and submit for adoption to the Governing Board the draft annual budget, including the corresponding staff establishment plan indicating the number of temporary posts in each grade and function group and the number of contract staff and seconded national experts expressed in full-time equivalents;
 - (b) prepare and submit for adoption to the Governing Board the annual work plans of the Joint Undertaking and the corresponding expenditure estimates;
 - (c) submit the annual accounts to the Governing Board for approval;
 - (d) prepare and submit for approval to the Governing Board the annual activity report referred to in clause 19(2), and such other reports as may be requested by the Governing Board;
 - (e) handle second-instance settlement of disputes within IPs;
 - (f) handle first -instance settlement of disputes across IPs;
 - (g) manage the calls and submit for approval to the Governing Board the list of actions selected for funding;
 - (h) sign individual agreements or decisions;
 - (i) sign procurement contracts;
 - (j) ensure that the obligations of the Joint Undertaking, with regard to the contracts and agreements it concludes are met;
 - (k) ensure the coordination between the different IPs and take appropriate action to manage interfaces, avoid undue overlaps between projects and favour synergies across IPs;
 - (l) propose to the Governing Board adaptations of the technical content and budget allocations between IPs;
 - (m) ensure that the planned objectives and the schedules are met, coordinate and follow-up the IP activities and propose any appropriate evolution of the objectives and related schedule;
 - (n) monitor the progress made by the IPs towards achieving the objectives;
 - (o) draw up and implement the S2R Joint Undertaking's communications policy;
 - (p) submit to the Governing Board proposals concerning the organisation chart;

- (q) organise, direct and supervise the operations and the staff of the Joint Undertaking, within the constraints of the delegation by the Governing Board as provided for in Article 6(2) of this Regulation;
 - (r) ensure that the activities of the Joint Undertaking are carried out with complete independence and without any conflicts of interest;
 - (s) establish and ensure the functioning of an effective and efficient internal control system and report any significant change to it to the Governing Board;
 - (t) ensure that risk assessment and risk management are performed;
 - (u) take any other measures needed for assessing the progress of the S2R Joint Undertaking towards achieving its objectives;
 - (v) organise the information exchange with the States Representatives Group and with the European Railway Agency;
 - (w) perform any other tasks entrusted or delegated to the Executive Director by the Governing Board.
5. The Executive Director shall set up a Programme Office for the execution, under his/her responsibility, of all support tasks arising from this Regulation. The Programme Office shall be composed of the staff of the S2R Joint Undertaking and shall in particular carry out the following tasks:
- (a) provide support in establishing and managing an appropriate accounting system in accordance with the financial rules of the S2R Joint Undertaking;
 - (b) manage the calls as provided for in the annual work plan and administer the agreements or decisions, including their coordination;
 - (c) provide the members and the other bodies of the S2R Joint Undertaking all relevant information and support necessary for them to perform their duties as well as responding to their specific requests;
 - (d) act as the secretariat of the bodies of the S2R Joint Undertaking and provide support to any working group set up by the Governing Board .

11 – European Railway Agency

The European Railway Agency shall have observer status on the Governing Board and contribute to the definition and implementation of the S2R Master Plan, in particular by performing the following advisory tasks:

- (a) proposing possible amendments to the S2R Master Plan and to the annual work plans, in particular to ensure that research needs relating to the realisation of the Single European Railway Area are covered;
- (b) proposing, after consultation with the stakeholders referred to in Article 2(1)(e) of this Regulation, technical standards for research, development and validation activities with a view to guaranteeing the interoperability and safety of results;
- (c) reviewing the common developments for the future system and contributing to defining target systems in regulatory requirements;
- (d) reviewing project activities and results with a view to ascertaining their relevance to the objectives identified in Article 2(2) of this Regulation and to guaranteeing the interoperability and safety of research results.

12 – Scientific Committee

1. The Scientific Committee shall consist of no more than twelve members. It shall elect a chairperson from amongst its members.
2. The members shall reflect a balanced representation of world-wide recognised scientists and engineers from academia, industry, small and medium enterprises, non-governmental organisations and regulatory bodies. Collectively, the Scientific Committee members shall have the necessary scientific competencies and expertise covering the technical domain needed to make science-based recommendations to the S2R Joint Undertaking.
3. The Governing Board shall establish the specific criteria and selection process for the composition of the Scientific Committee and shall appoint its members. The Governing Board shall take into consideration the potential candidates proposed by the States Representatives Group, by the European Rail Research Advisory Council (ERRAC) and by the European Railway Agency.
4. The Scientific Committee shall carry out the following tasks:
 - (a) advise on the scientific and technological priorities to be addressed in the annual work plans;
 - (b) advise on the scientific and technological achievements described in the annual activity report;
 - (c) suggest possible areas of advanced research that could be subject to further developments;
 - (d) suggest possible synergies with national and international research and innovation activities in the rail technical domain, in particular via the European Rail Research Advisory Council (ERRAC) Technology Platform, as well as with those in other domains, as identified in clause 2(k).
5. The Scientific Committee shall meet at least twice a year. The meetings shall be convened by its chairperson.
6. The Scientific Committee may, with the agreement of the chairperson, invite other persons to attend its meetings.
7. The Scientific Committee shall adopt its own rules of procedure.

13 – States Representatives Group

1. The States Representatives Group shall consist of one representative of each Member State and of each country associated to the Horizon 2020 Framework Programme. It shall elect a chairperson and a vice-chair person among its members.
2. The States Representatives Group shall meet at least twice a year. The meetings shall be convened by its chairperson. The Executive Director and the chairperson of the Governing Board or their representatives shall attend the meetings.
3. The members of the Single European Rail Area Committee, established by Article 62 of Directive 2012/34/EU of the European Parliament and of the Council¹, or their representatives, may take part in the meetings of the States Representatives Group.

¹ Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012 establishing a single European railway area (OJ L 343, 14.12.2012, p. 32).

4. The States Representatives Group shall be consulted and, in particular, review information and provide opinions on the following matters:
 - (a) updating of strategic orientation and of the S2R Master plan and progress towards achievement of its targets;
 - (b) the S2R Joint Undertaking annual work plans;
 - (c) links to the Horizon 2020 Framework Programme and to other EU and Member State funding instruments, including the Connecting Europe Facility, the European Structural Funds;
 - (d) links to the Fourth Railway Package and the goal of achieving a Single European Railway Area;
 - (e) involvement of SMEs and relevant actors from outside the traditional rail sector.
5. The States Representatives Group shall also provide information to and act as an interface with the S2R Joint Undertaking on the following matters:
 - (a) the status of relevant national or regional research and innovation programmes and identification of potential areas of cooperation, including deployment of relevant technologies;
 - (b) specific measures taken at national or regional level with regard to dissemination events, dedicated technical workshops and communication activities.
6. The States Representatives Group may issue, on its own initiative, recommendations to the S2R Joint Undertaking on technical, managerial and financial matters, in particular when those matters affect national or regional interests. The S2R Joint Undertaking shall inform the States Representatives Group of the follow up it has given to such recommendations.
7. The States Representatives Group shall adopt its own rules of procedure.

14 – Working groups

1. In order to carry out the tasks provided for in clause 2, the Governing Board of the S2R Joint Undertaking can set up a limited number of working groups to carry out activities which are delegated to it by the Governing Board. These groups shall be composed of professionals and shall work in a transparent manner.
2. The experts who take part in the working groups shall not belong to the staff of the S2R Joint Undertaking.
3. In order to ensure the widest range of expertise, the S2R Joint Undertaking shall encourage and facilitate the participation of SMEs, research organisations and actors from outside the traditional rail sector in the working groups.
4. The working groups shall be chaired by a representative of the S2R Joint Undertaking. The Commission and the European Railway Agency shall assist in these working groups in the quality of observer.

15– Sources of financing

1. The S2R Joint Undertaking shall be jointly funded by the Union and the members other than the Union and their affiliated entities through financial contributions paid in instalments and in kind contributions, consisting of the costs incurred by them in implementing indirect actions that are not reimbursed by the S2R Joint Undertaking.
2. The administrative costs of S2R Joint Undertaking shall not exceed EUR 27 million, and shall be covered through financial contributions divided equally on an annual basis between the Union and the members of the S2R Joint Undertaking other than the Union, other than research centres and universities. The contribution of the members other than the Union shall be determined proportionately to their respective budget commitment. If part of the contribution for administrative costs is not used, it may be made available to cover the operational costs of the S2R Joint Undertaking.
3. The operational costs of the S2R Joint Undertaking shall be covered through:
 - (a) a financial contribution by the Union;
 - (b) in-kind contributions by the members other than the Union and their affiliated entities, consisting of the costs incurred by them in implementing indirect actions less the contribution of the Joint Undertaking and any other Union contribution to those costs.
4. The resources of the S2R Joint Undertaking entered to its budget shall be composed of the following contributions:
 - (a) members' financial contributions to the administrative costs;
 - (b) Union financial contribution to the operational costs;
 - (c) any revenue generated by the Joint Undertaking;
 - (d) any other financial contributions, resources and revenues.
5. Any interest yielded by the contributions paid by the members of the S2R Joint Undertaking shall be considered to be its revenue.
6. All the resources of the S2R Joint Undertaking shall be devoted to achieving the objectives set out in Article 2 of this Regulation.
7. The S2R Joint Undertaking shall own all assets generated by it or transferred to it for the fulfilment of its objectives set out in Article 2 of this Regulation.
8. Subject to clause 22(4), no payment by way of division of any excess revenue over expenditure shall be made to the members of the S2R Joint Undertaking.

16 – Allocation of the Union contribution

1. The Union financial contribution to the S2R Joint Undertaking dedicated to operational costs referred to in Article 3(1)(a) and the additional contribution referred to in Article 3(1)(b) shall be allocated as follows:
 - (a) up to 40% shall be allocated to Founding Members other than the Union and their affiliated entities.
 - (b) up to 30% shall be allocated to Associated Members and their affiliated entities.

- (c) at least 30% shall be allocated by way of competitive calls for proposals and calls for tenders.
- 2. Funding under paragraph 1 shall be allocated following evaluation of proposals by independent experts.
- 3. Financial commitments of the S2R Joint Undertaking shall not exceed the amount of financial resources available or committed to its budget by its Members.

17 – Financial year

The financial year shall run from 1 January to 31 December.

18 – Operational and financial planning

1. The Executive Director shall draw up and submit for adoption to the Governing Board a draft annual work plan, on the basis of the S2R Master Plan, which shall include a detailed plan of the research and innovation activities, the administrative activities and the corresponding expenditure estimates for the coming year. The draft work plan shall also include the estimated value of the contributions to be made in accordance with clause 15(3)(b).
2. The annual work plan for a particular year shall be adopted by the end of the previous year. The annual work plan shall be made publicly available.
3. The Executive Director shall prepare the draft annual budget for the following year and submit it to the Governing Board for adoption.
4. The annual budget for a particular year shall be adopted by the Governing Board by the end of the previous year.
5. The annual budget shall be adapted in order to take into account the amount of the Union contribution as set out in the Union budget.

19 – Operational and financial reporting

1. The Executive Director shall report annually to the Governing Board on the performance of his duties in accordance with the financial rules of the S2R Joint Undertaking.
2. By 15 February of each year the Executive Director shall submit to the Governing Board for approval an annual activity report on the progress made by the S2R Joint Undertaking in the previous calendar year, in particular in relation to the annual work plan for that year. That report shall include, inter alia, information on the following matters:
 - (a) research, innovation and other actions carried out and the corresponding expenditure;
 - (b) the actions submitted, including a breakdown by participant type, including SMEs, and by country;
 - (c) the actions selected for funding, including a breakdown by participant type, including SMEs, and by country and indicating the contribution of the S2R Joint Undertaking to the individual participants and actions.

Once approved by the Governing Board, the annual activity report shall be transmitted to the States Representatives Group and made publicly available.

3. The S2R Joint Undertaking shall report annually to the Commission in accordance with Article 60(5) of Regulation (EU, Euratom) No 966/2012.
4. The accounts of the S2R Joint Undertaking shall be examined by an independent audit body as laid down in Article 60(5) of Regulation (EU, Euratom) No 966/2012.
The accounts of the S2R Joint Undertaking shall not be subject to examination by the Court of Auditors.

20 – Internal Audit

The Commission's internal auditor shall exercise the same powers over the S2R Joint Undertaking as those exercised in respect of the Commission.

21 – Liability of members and insurance

1. The financial liability of the members for the debts of the S2R Joint Undertaking shall be limited to their contribution already made for the administrative costs.
2. The S2R Joint Undertaking shall take out and maintain appropriate insurance.

22 – Conflicts of interest

1. The S2R Joint Undertaking, its bodies and staff shall avoid any conflict of interest in the implementation of their activities.
2. The Governing Board shall adopt rules for the prevention and management of conflicts of interest in respect of its Members, bodies, staff and seconded staff. In those rules provision shall be made to avoid a conflict of interest for the representatives of the Members serving in the Governing Board.

23 – Winding up

1. The S2R Joint Undertaking shall be wound up at the end of the period defined in Article 1 of this Regulation.
2. The winding up procedure shall be automatically triggered if the Commission or all members other than the Union withdraw from the S2R Joint Undertaking.
3. For the purpose of conducting the proceedings to wind up the Joint Undertaking, the Governing Board shall appoint one or more liquidators, who shall comply with the decisions of the Governing Board.
4. When the Joint Undertaking is being wound up, its assets shall be used to cover its liabilities and the expenditure relating to its winding up. Any surplus shall be distributed among the members at the time of the winding up in proportion to their financial contribution to the S2R Joint Undertaking. Any such surplus distributed to the Union shall be returned to the Union budget.
5. An ad hoc procedure shall be set up to ensure the appropriate management of any agreement concluded or decision adopted by the S2R Joint Undertaking as well as any procurement contract with duration longer than its duration.

**ANNEX II –FOUNDING MEMBERS OF THE S2R JOINT UNDERTAKING OTHER
THAN THE UNION**

1. ALSTOM TRANSPORT
2. ANSALDO STS
3. BOMBARDIER TRANSPORTATION
4. CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES
5. NETWORK RAIL
6. SIEMENS AKTIENGESELLSCHAFT
7. THALES
8. TRAFIKVERKET