DECISION OF THE GOVERNING BOARD
ON THE CREATION OF THE AUDIT COMMITTEE

THE GOVERNING BOARD,

HAVING regard to the Statutes annexed to the Council Decision (Euratom) No 198/2007 of 27 March 2007 establishing the European Joint Undertaking for ITER and the Development of Fusion Energy (hereinafter "Fusion for Energy") and conferring advantages upon it (hereinafter "the Statutes") and in particular Article 6(3)(r) thereof;

Having regard to the Financial Regulation of Fusion for Energy adopted by the Governing Board on 22 October 2007 (hereinafter "the Financial Regulation") and in particular Title IV, Chapter 7 and Article 76.3 thereof;

Having regard to the Implementing Rules of the Financial Regulation adopted by the Governing Board on 22 October 2007 (hereinafter "the Implementing Rules") and in particular Articles 70.2 and 72 thereof;

Having regard to the Rules of Procedures of the Governing Board adopted by the Governing Board on 28 June 2007 and in particular Title IX thereof;

Having regard to the Internal Audit Charter of Fusion for Energy adopted by the Governing Board on 27 November 2009;

Having regard to the opinion No 4/2008 of the European Court of Auditors on the Financial Regulation of Fusion for Energy;

WHEREAS:

(1) The Internal Auditor of Fusion for Energy shall report to the Director, and interact with the Governing Board in the conditions provided for in the Financial Regulation and specified in the Internal Audit Charter;

(2) Such interaction shall, inter alia, guarantee the independence and objectivity of the Internal Auditor and support the quality assurance and improvement programme of the internal audit function;

1 O.J. L 90, 30.03.2007, p. 58.
2 F4E(07)-GB03-11 Adopted 22/10/2007
3 F4E(07)-GB03-12 Adopted 22/10/2007
4 F4E(07)-GB01-03.1 Adopted 28/06/2007
5 F4E(09)-GB12-17a adopted 27/11/2009
6 The independence objectivity of the internal audit function and the quality assurance and improvement programme are defined in the International Standards for the Professional Practice of Internal Auditing (http://www.theiia.org/guidance/standards-and-guidance/ippf/standards)
(3) The Governing Board may in general establish subsidiary bodies as necessary for the exercise of its functions, determine their membership and terms of reference;

(4) The European Court of Auditors is of the opinion that, in view of the size of the budget and the complexity of the tasks to be performed by the Joint Undertaking, it should set up an Audit Committee, reporting directly to the Governing Board;

(5) The Governing Board took note of the proposal to establish such a Committee in Fusion for Energy, on the basis of a draft Charter, which was presented at the meeting of 27 November 2009;

HAS ADOPTED THIS DECISION:

Article 1

The Governing Board of Fusion for Energy (F4E) will have an Audit Committee reporting to it, for the period from 1 July 2010 to 30 June 2012.

Article 2

The Governing Board of F4E adopts the Charter of the Audit Committee, which is attached to this decision.

Article 3

The Governing Board of F4E shall appoint the first Chair of the Audit Committee at a later stage, according to the provisions of this Charter.

Article 4

The Governing Board of F4E shall approve the designation of other members of the Audit Committee, and potential amendments to the Charter of the Audit Committee, by written decision.

Done at Barcelona, 10th June 2010

For the Governing Board

Carlos Varandas
Chair of the Governing Board
ANNEX

CHARTER OF THE AUDIT COMMITTEE OF THE EUROPEAN JOINT
UNDERTAKING FOR ITER AND THE DEVELOPMENT OF FUSION ENERGY

This Charter establishes the role, the composition and the organisation, responsibilities and
reporting arrangements of the Audit Committee of Fusion for Energy (F4E).

1- ROLE

The Audit Committee is an advisory committee to the Governing Board charged
with the oversight of Financial Reporting and Accounting; Governance, Internal
Control and Risk Management matters; External Audit and Internal Audit.

In particular and notwithstanding the prerogatives allocated to the Executive Committee, the
Governing Board shall entrust the Audit Committee with:

(Financial Reporting and Accounting)

- the examination of financial reports in view of ensuring that these are
  balanced, fair and conform to accounting standards and appropriate legal
  and statutory responsibilities;

- the review of financial reports produced by management, the system of
  financial accounting and controls in operation, and the adequacy of
  personnel and other resources available in that respect;

(Governance, Internal Control and Risk Management)

- the oversight of Internal Control and Risk Management arrangements in
  place so as to ensure that risks identified by management and the mitigation
  steps proposed are in accordance with the risk profile and risk appetite of
  the organisation;

- the assessment of measures in place to evaluate and mitigate the risk of
  fraud and, more generally, to monitor compliance with laws and
  regulations;

(External Audit and Internal Audit)

- the analysis of audit results from external audits (European Court of
  Auditors);

- the analysis of results from internal audits;

- the examination of any assessment activities deemed necessary to ensure
  that the recommendations of the Internal Auditor and those of the European
  Court of Auditors are taken into account by the Director (and, when
  relevant, by the Governing Board) and receive appropriate follow-up;
the oversight of the Internal Audit activity, in particular the assessment of
the annual planning process and of the quality of audit work.

- The Audit Committee guarantees the independence and objectivity of the Internal
  Auditor of Fusion for Energy.

- At the request of the Chair of the Governing Board, the role of the Audit
  Committee may be extended, on a ad hoc basis, to the follow-up of activities of
  other external assurance providers.

2- COMPOSITION

- The Audit Committee shall comprise five members. It shall be composed of
  members with proven professional experience covering a variety of appropriate
  backgrounds (such as auditing, governance, relevant operational fields, finance or
  Information Technology).

- At least one member of the Audit Committee shall be a member of the Governing
  Board of Fusion for Energy.

- One member of the Audit Committee shall be proposed by Euratom.

- Members of the Executive Committee or of the Technical Advisory Panel,
  members of the management or staff of Fusion for Energy cannot be members of
  the Audit Committee.

- The Chairperson and the members of the Audit Committee shall be designated by
  the Governing Board on a proposition by the Director of Fusion for Energy,
  including the member proposed by Euratom.

- The Governing Board appoints the Chairperson and approves the other members
  of the Committee by written decision.

- Membership shall be granted ad personam and shall not be delegated.

- The Chair and the members of the Audit Committee shall be independent, i.e.
  behave and act free of conflicts of interests of any kind; the management of
  potential conflicts of interest is subject, by analogy, to the same rules that apply to
  the Executive Committee.

- The Chair and the members of the Audit Committee are covered by the provisions
  of Art. 194 of the Euratom Treaty and Art. 339 of the EU Treaty; they shall handle
  information entrusted to them during the performance of their duties and beyond in
  respect of strict confidentiality rules. They shall adhere to the rules and policies of
  Fusion for Energy with regard to the confidentiality and security of information
  and may be asked to confirm in writing their adherence to these rules.

3- ORGANISATION AND MEETINGS ATTENDANCE

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F4E(07)-GB01-04.6 Adopted 28/06/2007
Starting as of 1 July, 2010, the mandate of Audit Committee Members shall have a term of two years. In case the duration of the Committee would be extended, membership may be renewed once.

The mandate of the Chair is limited to two years and not renewable. However, the mandate of the outgoing Chairperson can be renewed once as a member of the Audit Committee.

Meetings shall be held at least twice a year, or more frequently as circumstances require. Participation may not be delegated.

The quorum to hold a meeting shall be three members.

Excepted in case of potential conflict of interest with the work of this Committee, the Director and the Internal Auditor shall attend the meetings of the Audit Committee. The Internal Auditor shall not take part in the meetings aimed at assessing the quality of the internal audit work.

The Committee shall work on a basis of consensus. Recommendations may be taken by written procedure. In such cases the recommendations, and more generally the output of the Committee work, must be transmitted to the Director for information. Restrictions apply in the cases mentioned in Article 5 of this Charter.

Fusion for Energy shall provide the secretariat to the Audit Committee.

The Committee may invite members of the management or staff or Committees of Fusion for Energy, or external experts to attend meetings where it considers this is necessary.

The Director shall invite the Committee Members and the persons identified by the Committee; any cost incurred in that respect (meetings and travel expenses) shall be borne by Fusion for Energy in accordance with the rules applied by Fusion for Energy for the reimbursement of expenses to experts.

4- RESPONSIBILITIES OF THE COMMITTEE

The responsibilities and tasks of the Committee shall be in general to provide the best advice and support to the Governing Board in the overall interest of the organisation, and in particular:

(With respect to Internal Audit)

- To examine and endorse the Annual Audit Plans prepared by the Internal Auditor, making proposals to carry out audits where a particular need is perceived.
- To follow-up the implementation of the audit plan by keeping under review the scope, results and effectiveness of the internal audit planning.
• To keep the Governing Board informed of reports resulting from audits (Internal Auditor, European Court of Auditors and other external party audits) and the management’s response thereto.

• To monitor the quality of internal audit work at Fusion for Energy, in particular by supervising the professional quality assurance programme attached to this activity.

• To meet the Internal Auditor to discuss any matters that the Audit Committee or the Internal Auditor may believe appropriate to be discussed privately.

• To recommend the appointment of the Internal Auditor or the termination of his functions.

(With respect to Internal Control and Risk Management)

• To analyse audit reports, consider and review with the Senior Management significant findings and opportunities for improvement and their responses thereto, in the form of adopted action plans.

• To monitor action taken by Fusion for Energy in response to analyses, assessments and recommendations of internal and external auditors.

• To advise senior management about significant risks or exposures and evaluate the steps taken to minimise such risks to Fusion for Energy.

The Chair of the Governing Board may delegate to the Chair of the Audit Committee his responsibilities as “Countersigning Officer” in the context of the yearly appraisal of Internal Audit Staff reporting to the Director.

With that exception:

• The work of the Audit Committee should not infringe upon the tasks and responsibilities of the Director or the Executive Committee as laid down respectively in Articles 7(3) and 8(4) of the Statutes of Fusion for Energy.

• The Audit Committee shall be non-executive; in particular, it shall not be responsible for the implementation of audit recommendations, which rests under the ultimate responsibility of the Director.

• The authority of the Audit Committee shall be exercised through the Governing Board; in particular, when the Audit Committee issues recommendations to the Governing Board, it shall not be responsible for the response given to these recommendations, which rests under the ultimate responsibility of the Governing Board.

The Audit Committee shall have access to all personnel and information concerning the organisation; it should be able to access sufficient resources to enable it to fulfill its functions.
5- REPORTING

The Audit Committee shall bring to the attention of the Governing Board any issues arising out of the Committee’s work. To that end, it shall report regularly, at least annually to the Governing Board on:

- the follow-up given by Fusion for Energy to major audit recommendations,
- the quality of internal audit work,
- its own activity.

All reports of the Audit Committee shall be transmitted to the Director in advance for information. This rule does not apply only in cases of gross negligence in the management, or suspicion of fraud, when it is considered that such communication would potentially harm the interests of Fusion for Energy or of those of the European Atomic Energy Community.

The output of the Audit Committee shall be, as appropriate, reported by the Chairman to the plenary sessions of the Governing Board.

The secretariat shall distribute copies of the minutes of Audit Committee meetings to the Governing Board and the Senior Management of Fusion for Energy.

6- TERMINATION

The Audit Committee shall be dissolved after two years. Before the end of its term, i.e. no later than 30 June 2012, the Governing Board shall evaluate the work of the Audit Committee and the implementation of this Charter. The Governing Board may then decide extending the duration of the Audit Committee.