



CORTE DEI CONTI

DIVISION OF ENTITY SUPERVISION

DETERMINATION AND REPORT  
ON THE RESULTS OF THE AUDIT OF THE  
FINANCIAL PERFORMANCE OF FONDAZIONE  
HUMAN TECHNOPOLE  
(FHT)

2018

Determination no. 35 of 11 May 2020



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FINANCIAL PERFORMANCE OF FONDAZIONE  
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Rapporteur: Counsellor Alessandro Napoli

Collaborator

for the investigation and processing of

data: Mr Fulvio Donati





# CORTE DEI CONTI

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## DIVISION OF ENTITY SUPERVISION

At the hearing on 11 May 2020, held via videoconference, pursuant to Article 85, paragraph 3, sub-paragraph e), of Decree Law 18 of 17 March 2020, converted into Law 27 of 24 April 2020; having regard to Article 100, paragraph 2, of the Italian Constitution;

having regard to the consolidated laws on the Court of Auditors approved with Royal Decree 1214 of 12 July 1934;

having regard to Law 259 of 21 March 1958 and Law 20 of 14 January 1994;

having regard to Law 232 of 11 December 2016, particularly Article 1, paragraphs 116-123;

having regard to the Decree of the President of the Council of Ministers of 27 February 2018, and in particular Article 9, paragraph 3, with which the Fondazione Human Technopole (FHT) was placed under the supervision of the Court of Auditors, to be exercised pursuant to the terms and conditions set out in Article 12 of Law 259 of 21 March 1958;

having regard to determination no. 114 of 2018, issued at the hearing held on 29 November 2018, which regulated the preliminary investigative obligations for supervision of the Entity beginning with the financial year 2018;

having regard to the financial statements of the aforementioned Entity, concerning its financial performance during 2018, and the attached reports by the Chairman and the independent auditors, in the absence of the Board of Auditors for reasons of time, sent to the Court in compliance with Article 4 of the cited Law 259 of 1958;

having examined the records;

having heard the rapporteur, Counsellor Alessandro Napoli and, as he proposed, having discussed and deliberated on the report with which the Court, acting on the basis of the acquired documents and elements, reports to the Presidents of the two Chambers of Parliament on the results of the audit of the financial performance of the Fondazione Human Technopole in 2018;



## CORTE DEI CONTI

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### DIVISION OF ENTITY SUPERVISION

having found that, after having thus fulfilled its legal obligations, it may, pursuant to Article 7 of the cited Law 259 of 1958, send the annual financial statements to those Presidents – accompanied by the reports of the board of directors and of the independent auditors – the report as previously approved, which is submitted together with this decision as an integral part thereof;

### THEREFORE

sends to the Presidents of the two Chambers of Parliament, together with the financial statements for 2018 – accompanied by the reports of the management body and the independent auditors, in the absence of the report of the Board of Auditors due to the lack of time – of the Fondazione Human Technopole (FHT), the attached report with which the Court comments on the results of its audit of the financial performance of the Entity itself.

RAPPORTEUR

*Alessandro Napoli*

PRESIDING JUDGE

*Manuela Arrigucci*

DIRECTOR

*Gino Galli*

filed at the secretariat



# **COURT OF AUDITORS**

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\*The tables have been prepared by the Court of Auditors using the data provided by the Entity.

## **PREFACE**

With this report, the Court of Auditors reports to Parliament for the first time, pursuant to Article 7 of Law 259 of 21 March 1958, on the results of its audit performed, in accordance with the terms and conditions of Article 12 of the aforementioned law, on the financial performance of the Fondazione Human Technopole (referred to hereinafter as “FHT” or “Foundation”) in the financial year 2018, with a number of comments on subsequent events through today.

# 1. STATUTORY FRAMEWORK AND GENERAL ASPECTS

## 1.1 The Human Technopole Project

The Human Technopole Project was established with Decree Law 185 of 25 November 2015, converted into Law 9 of 22 January 2016.

For the initiatives related to participation of the State in activities to develop the areas used by the company Expo S.p.a., this statutory source granted a contribution of Euro 80,000,000 for the year 2015 to the Istituto Italiano di Tecnologia (the Italian Institute of Technology or "IIT"), having its registered office in Genoa, to realise the integrated, multidisciplinary scientific and research project on health, genomics and data science and named "Human Technopole" (hereinafter, "HT Project"). This was to be accomplished, in collaboration with leading Italian institutions, research centres and hospitals, inter alia by using part of the areas used by EXPO S.p.a., after their adaptation as necessary. The working drawings, specifications, and bills of quantities, prepared by IIT, were approved by Decree of the President of the Council of Ministers ("DPCM") on 16 September 2016, as proposed by the Ministry of Economy and Finance, authorising commencement of the project by IIT until the newly formed Foundation became operational.

To that end a special Coordination Committee was set up at IIT pursuant to Article 3, paragraph 2, of the aforementioned DPCM. That Committee was appointed with a subsequent DPCM on 18 November 2016, to launch execution of the HT project. The Committee was composed of two individuals designated by the Ministry of Economy and Finance and the Ministry of Education, University and Research, respectively; by three internationally renowned scientists jointly designated by those same Ministries; by the presidents of the public universities in Milan; by the Chairman of the Istituto Superiore di Sanità (Italian National Institute of Health); by the Chairman of the Consiglio Nazionale delle Ricerche (National Research Council); by the Chairman and Scientific Director of IIT.

During that initial phase and acting through the special Coordination Committee, IIT acquired title of the legal relationships that had to be established to launch the infrastructural, logistical, technological and organisational execution of the Human Technopole project in anticipation, as previously mentioned, of establishment of the new Foundation. Therefore, in operational terms, the relevant IIT functions were performed through a special project unit

established pursuant to Article 2 of the DPCM of 16 September 2016, with segregated accounting of the allocated resources.

## **1.2 The Fondazione Human Technopole**

To boost public and private investments in the preventive medicine and health sectors of research, in accordance with the National Research Programme, the Human Technopole Foundation was established pursuant to Article 1, paragraphs 116-123 of Law 232 of 11 December 2016, *“to create a multidisciplinary scientific and research complex of national importance integrated in the health, genomic and data and decision-making science sectors and to realise the scientific and research project named Human Technopole”*.

Therefore, as part of the HT project, lawmakers created a special research institute for life sciences, whose mission is to improve its quality through an interdisciplinary approach to health and aging<sup>1</sup>.

Pursuant to Article 1, paragraph 117, of Law 232 of 11 December 2016, the founding members of FHT are the Ministry of Economy and Finance, the Ministry of Health, and the Ministry of Education, University and Research, which are responsible for supervision of the Foundation.

On the basis of these detailed statutory provisions and pursuant to the Decree of the President of the Council of Ministers of 16 September 2016, the Coordination Committee set up at IIT drafted the articles of association of the Foundation. Those were then approved with a Decree of the President of the Council of Ministers, as proposed by the Minister of Economy and Finance, in cooperation with the Ministry of Education, University and Research and the Minister of Health. The articles of association establish the name of the Foundation and regulate inter alia participation in the Foundation by other public and private entities and the terms and conditions under which those parties may participate financially in the scientific project of Human Technopole (Article 1, paragraph 118, of Law 232 of 2016).

The equity capital of the Foundation is comprised of contributions made by the founding Ministries, and augmented by additional State contributions and resources provided by public and private entities and individuals. Aside from its own funds, the activities may be financed by

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<sup>1</sup> Essentially, the purpose of the activity consists in contributing to the improvement of individual health through research on the biological mechanisms at the basis of human illnesses.

contributions from public and private entities. The Foundation may be granted free use of real estate owned by the State and part of available and unavailable State property. The grant of free use of assets having special artistic and historic value to the Foundation is made by the competent Agency, in collaboration with the Ministry of Heritage, Cultural Activities and Sport, without prejudice to the applicable legal treatment of the granted State property, pursuant to Articles 823 and 829, paragraph 1, Italian Civil Code (Article 1, paragraph 119, of Law 232 of 2016).

To operate its own activities, the Foundation may use staff, including senior managers, who are made available for this purpose on request by the Foundation, in compliance with applicable laws and regulations, by entities and other parties identified pursuant to Article 1, paragraph 2, of Law 196 of 31 December 2009. Moreover, the Foundation may draw on the collaboration of domestic and foreign experts and consulting firms, or of universities and university and research institutes (Article 1, paragraph 120, of Law 232 of 2016). Article 1, paragraph 121 of Law 232 of 2016 authorised expenditure broken down over the years as indicated hereunder for the purpose of setting up the Foundation and executing its project:

**Table 1 – Spending authorisation pursuant to Law 232 of 2016**

Euro 10,000,000	2017
Euro 114,300,000	2018
Euro 136,500,000	2019
Euro 112,100,000	2020
Euro 122,100,000	2021
Euro 133,600,000	2022
Euro 140,300,000	2023 AND SUBSEQUENT YEARS

In detail, Article 123 of Law 232 of 2016 has mandated that the criteria and procedures for implementation of paragraphs 116 to 122, including the rules governing relationships with the Istituto Italiano di Tecnologia pursuant to paragraph 116, and the transfer to FHT of the remaining resources envisaged in Article 5, paragraph 2, of Decree Law 185 of 25 November 2015, as converted into Law 9 of 22 January 2016, be established by Decree of the President of the Council of Ministers, on proposal by the Minister of Economy and Finance, in cooperation with the Minister of Education, University and Research and Minister of Health.

With DPCM no. 28 of 27 February 2018, in implementation of Law 232 of 2016, the “Regulations governing the Foundation for execution of the ‘Human Technopole’ scientific and research project” (“Regulations”) was adopted. Inter alia, it prescribes

the rules governing relations between FHT and IIT, with special reference to transfer of the residual assets.

Pursuant to Article 1 of the Regulations, the Foundation is a private law entity, governed by Articles 14 et seq. of the Italian Civil Code, Law 232 of 2016, and the articles of association for execution of the project by the same name.

With regard to its legal nature as a private law foundation, this Court holds that while the legal and organisational arrangements are established in a mainly private law context, this still does not eliminate the need for the investment of funds originating in the public finance system, according to the criteria of efficiency, effectiveness and economy.

The articles of association of FHT (the “Articles of Association”) were approved with the DPCM of 27 March 2018 and govern the purpose and activity of the Foundation, and also the composition and functioning of its bodies.

The Foundation is vested with regulatory, administrative, ownership, organisational, accounting and financial independence and is subject to management and supervision by the Ministry of Health, the Ministry of Economy and Finance, and the Ministry of Education, University and Research, with special reference to examination of the Foundation financial statements and annual report on the results of the operated activity that the Foundation sends to the supervising Ministries<sup>2</sup>.

Moreover, the founding members may also request additional reports. In any event, the acts taken in relation to complex financial activities are subject to prior authorisation by the supervising Ministries, and specifically with regard to the acquisition of equity stakes in companies and units of investment funds in the sectors consistent with the objectives of the Foundation<sup>3</sup>.

Pursuant to Article 3, paragraph 1 of the Regulations, the Foundation assets consist of an endowment fund, which cannot be disposed of and is restricted to pursuit of the aims indicated in the articles of association, and an operating fund, dedicated to the operating expenses of the Foundation.

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<sup>2</sup> Article 2, paragraph 2 of the Articles of Association.

<sup>3</sup> See the combined provisions of Article 9 of the Regulations and Article 2, paragraph 3 of the Articles of Association.

As will be illustrated hereunder with regard to the Foundation bodies, the first seven members of the Supervisory Board of the Foundation were appointed pursuant to the DPCM of 16 May 2018. That was followed by the winding up of the project organisation and Coordination Committee of IIT, pursuant to Article 11, paragraph 2 of the Regulations.

Article 11 of the Regulations also prescribe that the relations between FHT and IIT be governed by a specific agreement to be made within sixty days after the Regulations enter into force, as approved with a DPCM, after being proposed by the Ministry of Economy and Finance.

That agreement between the two entities was executed on 12 December 2018 and implemented with the DPCM of 3 September 2019<sup>4</sup>.

Moreover, the agreement with IIT specifies the financial aspects of the residual resources allocated to the HT project that were still held by IIT in 2018, and then transferred to the Foundation on 27 December 2019.

### **1.3 The statutory amendments pursuant to the Budget Act 2020**

The Budget Act 2020 (Law 160 of 27 December 2019 – Articles 275 et seq.) significantly modified the framework for FHT activities.

Lawmakers designated the Fondazione Human Technopole as a scientific infrastructure centre supporting Italian scientific research, obligated to operate on the basis of an integrated multidisciplinary approach in accordance with the principles of full accessibility by the Italian scientific community, transparency and publication of its activities, verifiability of its scientific results achieved in compliance with best international practices.

In particular, the Foundation must perform a series of activities on the basis of a special agreement to be made by 31 December 2020 with its founding members and other lenders as specified by law, including:

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<sup>4</sup> The agreement had first been approved by the management bodies of the two entities, and in particular the Executive Committee for the Istituto Italiano di Tecnologia, with resolutions adopted at the meetings on 23 October and 22 November 2018, and by the Management Committee of the Fondazione Human Technopole, which proposed a specific resolution to the Supervisory Committee at its meeting on 13 November 2018, which the Board then adopted on 15 November 2018.



- promote constant dialogue with the national research system, including the National Research Agency to maximise the compatibility and integration of the Foundation facilities with those present in the national research system;
- launch and coordinate the annual competitive procedures for selection, in compliance with best international practices, of projects submitted for access to the infrastructure facilities by researchers or groups of researchers belonging to universities, Scientific Institutes for Research, Hospitalisation and Health Care (Istituti di Ricovero e Cura a Carattere Scientifico – “IRCCS”) and public research entities, to whom primary use of the infrastructure facilities of the Foundation is to be granted;
- establish a special Independent Research Project Review Committee at the Foundation, composed of evaluators from outside the Foundation who are scientists without affiliations or existing positions at universities, IRCCS and Italian public research entities, and of the Foundation Scientific Committee Chairman, who is an ex officio member.

## 2. BODIES

The rules for the Foundation bodies are contained in the Articles of Association<sup>5</sup> and are also detailed in the Regulations<sup>6</sup>.

The Chairman, the Supervisory Board, the Director, the Management Committee, the Scientific Committee and the Board of Auditors are bodies of the Foundation.

### 2.1 The Chairman

The Foundation Chairman is the legal representative of the Foundation and presides over the Supervisory Board<sup>7</sup>. The Chairman has strategic policymaking powers, manages the institutional and public relations of the Foundation, and promotes educational and publication on the economic and social impact of the scientific research conducted by the Foundation.

The current Chairman was appointed with the DPCM of 16 May 2018, after his appointment as member of the Supervisory Board by the Ministry of Education, University and Research, pursuant to Article 4, paragraph 4, sub-paragraph A) and paragraph 7, of the Foundation Regulations and Article 12, paragraph 2, sub-paragraph A) and paragraph 4, of the Articles of Association.

The Chairman of the Foundation is assigned an all-inclusive gross annual salary of Euro 120,000.

### 2.2 The Supervisory Board

Pursuant to the Articles of Association<sup>8</sup>, the Supervisory Board performs general policymaking and control over the Foundation. In particular, audits use of the resources and ensures the excellence of the Foundation and compliance with the rules governing appointment of the members of the Foundation bodies, supervises the general coordination of internal control functions and manages the scientific evaluation process of the activities supported by the Foundation. On proposal by the Management Committee, it also approves the strategic and operational policy document and the programmatic plans for multi-year scientific activity. Then, the primary duty of the Board is to resolve on the regulations covering general operations, which govern

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<sup>5</sup> Articles 10 ff.

<sup>6</sup> Art. 4.

<sup>7</sup> Article 11 of the Articles of Association.

<sup>8</sup> Articles 12 and 13.

the overall activity of the Foundation and, at the level of statutory accounts, the annual financial statements.

The Supervisory Board also performs significant functions of high administration, given that it approves the resolutions concerning particularly important transactions, such as: a) banking, financial, movable property and immovable property transactions, and the request for subsidies, contributions and loans; b) stipulation of contracts and agreements with private individuals, public entities and university institutes, both inside and outside Italy, for operation of its own activities; c) stipulation of agreements and contracts, inter alia for the financing of approved transactions, including acquisition in the form of concessions or commodatum, the purchase of ownership or surface rights of immovable property, and the stipulation of agreements of any kind, including those that may be transcribed in public registers, with public or private entities that are considered appropriate and useful to achieve the purposes of the Foundation; d) all the activities necessary to raise funds or donations in cash or in kind; e) the acceptance of donations in the form of real estate.

Pursuant to provisions of the Articles of Association, that body must be composed of thirteen members, meeting the specific professional prerequisites prescribed by Article 12 of the Articles of Association that also govern the terms and conditions for their appointment. Seven members, including the Chairman, were appointed with the DPCM of 16 May 2018.

Pursuant to Article 12, paragraph 4 of the Articles of Association, upon first-time application and, in any event, no more than one year after adoption of the DPCM appointing its first seven members, the Supervisory Board operates with that limited membership.

For the sake of thoroughness, it is noted that that body was expanded, pursuant to the DPCM of 29 January 2020, with four additional members including: one appointed jointly by the City of Milan and the Region of Lombardy; one designated by the Conference of Chairmen of Public Research Institutions; two by the FHT Supervisory Board itself, who will be scientists drawn from disciplines relevant to the HT project and international public health experts, who work principally outside Italy. The two seats yet to be filled on the Board are: a) one from the Conference of Italian University Presidents; b) one mutually chosen by the participating shareholders, on condition that, inter alia through a partnership formed by them, they pay at least three per cent of the annual contribution made by the State (a category that presently does not exist).

Each member of the Supervisory Board is assigned an all-inclusive gross annual salary up to a maximum of Euro 30,000 (Article 6, paragraph 3, of the Regulations).

The Supervisory Board met eight times during 2018.

## **2.3 The Director**

The Director<sup>9</sup> is responsible for implementation of the multi-year strategic plan, chairs the Management Committee and is selected from a field of internationally renowned scientists, possessing a prestigious academic curriculum vitae and proven ability to manage large-scale multidisciplinary scientific organisations. He is appointed for a four-year term by the Supervisory Board at the conclusion of an international competitive procedure, managed by a Search Committee selected for that purpose by the Supervisory Board. The Director's term may be renewed only once.

Pursuant to Article 14, paragraph 4, of the Articles of Association, the position is held upon first-time application by the Directors of the Human Technopole Project, approved by the DPCM of 16 September 2016, until the natural expiration of the term.

Having taken note of the selection procedure conducted by IIT, whose project organisation was dissolved upon installation of the FHT Supervisory Board, the Director's appointment was consequently formalised by the Supervisory Board at the first meeting of that body on 18 June 2018.

The executive employment relationship with the Director commenced on 1 January 2019. That deferred effective date was justified by the Entity *inter alia* for reasons of economy, stemming from the fact that there still was no FHT structure to organise and manage when he was appointed.

In anticipation of the effective date of his appointment, the Foundation entered into a consulting agreement with the designated Director for the period running from 13 July to 31 December.

The Entity specified that that management choice nonetheless allowed the future director to start working, in a flexible labour law framework and independent relationship, on the recruitment of scientists and assessment of the tools that would be needed to

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<sup>9</sup> Article 14 of the Articles of Association.

start up the scientific project to be run by FHT. So, given the effective starting date of his appointment as Director on 1 January 2019, the Director essentially assisted the Chairman and the Board during the preceding half-year period with preparatory decisions and timely commencement of Foundation activities for advancement of the HT Project<sup>10</sup>.

## 2.4 The Management Committee

The Management Committee is responsible for “*the activities needed to guarantee the orderly operation of the Foundation ... as prescribed in the Articles of Association*” (Article 4, paragraph 8, of the Regulations).

Pursuant to Article 16 of the Articles of Association, the Committee appoints the Directors of the centres at the conclusion of an international competitive procedure, and the staff recruitment committees after obtaining the binding opinion of the Scientific Committee. It also submits to the Supervisory Board the resolutions of special importance as envisaged in Article 13, paragraph 3 of the Articles of Association, for example policy documents, programme plans, annual financial statements, regulations for operation of the Foundation, “high administration” acts that are the prerogative of the Board, etc.

The Management Committee has five members, including the Director, appointed by the Supervisory Board through a competitive procedure, who fulfil the integrity and professional requirements imposed by the Articles of Association. They hold office for four years and may be confirmed only once<sup>11</sup>.

After an international recruitment process conducted in this regulatory framework, the Supervisory Board appointed the members of the Management Committee other than the Director on 22 October 2018. They included experts in public administration and university professors working inside and outside Italy, and experts in the scientific fields of FHT.

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<sup>10</sup> In particular, these preparatory activities consisted of: a) the participation of a specific Supervisory Board committee for recruitment of the Management Committee members; b) participation in the preparation of an international public notice and associated process for recruitment of the Head of Operations of the Foundation, as the individual in charge of the administrative and operational organisation; c) participation in the preparation of international public notices for the recruitment of an initial nucleus of senior scientific personnel; d) participation in the preparation of international public notices for the recruitment of an initial nucleus of senior scientific personnel; e) participation in finalisation of the project for repurposing of the US6 pavilion, designated to house the electronic microscope infrastructure, i.e. one of the three key infrastructures of the Human Technopole Project.

<sup>11</sup> Article 15 of the Articles of Association.

The aforementioned administrative body was installed on 13 November 2018 and met twice during 2018.

Each one of its members, other than the Director who acts as its Chairman, is assigned an all-inclusive gross annual salary up to a maximum of Euro 30,000 (Article 6, paragraph 2, of the Regulations).

## **2.5 The Scientific Committee**

The Scientific Committee of the Foundation is an advisory body that is assigned the following duties by the Articles of Association:

- express a non-binding opinion on the programme plan for the scientific activity of the Foundation and the protocols of the scientific activities (Article 13, paragraph 3, sub-paragraph b, and Article 18, paragraph 2, sub-paragraph a), of the Articles of Association);
- express a binding opinion on appointment of the committees for staff recruitment (Article 16, sub-paragraph b, of the Articles of Association);
- evaluate the correlation between scientific activities and multi-year plans, and the allocation of resources (Art. 18, paragraph 2, sub-paragraph b, of the Articles of Association).

The functions of the Scientific Committee essentially pertain to assessment of the scientific activity of the Foundation, its organisation over the medium term, and the proper contribution of resources (both economic and human) to the various projects that are set up.

It is composed by fifteen members and is appointed by the Supervisory Body. At least eight members are chosen from among scientists not operating in Italy. The Committee elects one of its members as Chairman, who serves for a four-year term.

The Chairman of the Scientific Committee is entitled to an all-inclusive gross annual salary of Euro 80,000. Each one of the members of the Scientific Committee other than the Chairman is entitled to an all-inclusive gross annual salary of Euro 20,000. Given the role that that body plays in the Foundation, the Supervisory Board decided to defer its appointment until after the first group of scientists was hired.

In fact, during the year examined here, the Foundation was in the start-up phase of its activity and still had no in-house scientists working for it. Consequently, the Committee decided that it was

anti-economical to appoint an advisory board composed of numerous members that would be objectively under-utilised given the few, i.e. essentially no, activities that that body would be asked to perform in 2018. This was also decided with reference to the structure of costs for payment of its members' compensation (amounting to Euro 360,000 annually; see Article 6 of the Regulations), although it was formed in compliance with the procedures prescribed by the Articles of Association.

Therefore, the Supervisory Board decided on 22 October 2018 to defer appointment of the Scientific Committee until a later time. Nevertheless, the Board did decide that it had to obtain a scientific advisor, designating the then Scientific Director of the Istituto Italiano di Tecnologia as the unpaid Chief Scientific Advisor. He had been in charge of the Human Technopole Project Organisation during the one and a half years prior to establishment of the Foundation.

After the Chief Scientific Advisor resigned, the Supervisory then ordered, with a resolution on 26 July 2019, the establishment of a scientific advisory body that, during construction of the laboratories and completion of the scientific staff recruitment activities, temporarily performs (until no later than 1 January 2022) the functions and duties imposed under the Articles of Association on the Scientific Committee until that body is appointed<sup>12</sup>. On 15 November 2019, the Supervisory Board designated the coordinator and the first five members (one of whom subsequently failed to accept the appointment) of that scientific advisory body, which was seated on 5 February 2020.

## **2.6 The Board of Auditors**

The Board of Auditors monitors the functions for audit of Foundation administration and bookkeeping, prepares its reports on the year-end financial statements, reports on them to the Management Committee, and conducts cash audits. It is composed of three standing members and three alternate members entered in the register of statutory auditors. They are appointed by decree of the Prime Minister on proposal by the Minister of Economy and

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<sup>12</sup> The Supervisory Board decided that this choice was appropriate inter alia in terms of economy, efficiency and proportionality on the basis of the legal opinion issued on 22 July 2019.

Finance, after being designated by the founding Ministries. Each founder chooses one standing member and one alternate member. The individual designated by the Ministry of Economy and Finance assumes the position of Chairman of the Board of Auditors. The decree appointing them also sets the compensation for the body's members. The members of the Board of Auditors shall serve a three-year term and may be confirmed just once.

The Board had not been appointed at 31 December 2018.

In the absence of such a body (which was then appointed with the DPCM of 3 September 2019), the audit of the Foundation financial statements 2018 was assigned, after receipt of a legal opinion, to an independent auditor that issued its auditor's report on 24 April 2019. Analogously, the report on the budget planning document 2019 was assigned to that auditing firm during the subsequent update of the original version issued in December 2018. Acting on the basis of a specific legal opinion and after resolution by the Supervisory Board on 26 July 2019, the auditing firm was then engaged to perform the functions assigned to the Board of Auditors under the Articles of Association from that date until that body was installed, with the obligation of submitting periodic reports to the governance bodies.

This Court must point out that the Board of Auditors was appointed by the State Agencies responsible for doing so under the Articles of Association with a significant delay after the Foundation commenced operations.

The Board of Auditors was installed only on 29 October 2019, i.e. one year after the Management Committee and one and a half years after the Supervisory Board. This caused objective problems during that delay, in terms of the organisational compliance of the entity, procedural complications for its activity, and higher costs for the acquisition of legal opinions<sup>13</sup>. In fact, the Board of Auditors is responsible for the control functions prescribed by the Articles of Association, which cannot be delegated in the framework of FHT activities to other bodies/parties (internal and/or external).

## **2.7 The compensation of members of the management Bodies**

The gross annual salaries due to the Chairman, other members of the Supervisory Board, the members of the Management Committee (other than the Director), the Chairman and

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<sup>13</sup> The total costs incurred by FHT for that legal assistance amount to Euro 48,750, plus incidental charges, but considering that the first invoice covers the range of services provided by the law firm to FHT.



the other members of the Scientific Committee are set by the Regulations. In the case of the members of the Supervisory Board and the Management Committee, the Regulations only indicate the maximum amount (Article 6).

With a resolution on 15 November 2018, the Supervisory Board decided to pay each member of that body the maximum amount allowed under the Regulations. A similar decision was taken by the Management Committee with a resolution on 13 November 2018, referring to the members of the aforementioned management body.

In detail, the annual gross amounts due to the governance and advisory bodies are specified as follows:

Table 2 – Compensation owed to members of the governance and advisory bodies

Body	Annual gross amount in €
Chairman	120,000
Member of the Management Committee, other than the Director chairing it	30,000
Member of the Supervisory Board, other than the Chairman	30,000
Chairman of the Scientific Committee	80,000
Member of the Scientific Committee (other than the Chairman)	20,000

Source: DPCM 27 February 2018

Pursuant to Article 6, paragraph 5, of the Regulations, the Director's compensation *“is set with a specific decree by the Prime Minister, on proposal by the Minister of Economy and Finance”*.

As previously mentioned, the Foundation entered into a consulting agreement with the appointed Director for the financial year 2018, running from 13 July 2018 to 31 December 2018, with total compensation of Euro 65,000, paid by IIT, until the senior manager employment agreement took effect on 1 January 2019.

In the absence of the DPCM prescribed in Article 6, paragraph 5, of the Regulations, which will have to set the compensation owed to the Director, and which is currently not determined under the Regulations, it seems useful to point out that beginning from the financial year 2019, FHT made a senior manager employment agreement with the Director, expiring on 31 December 2022, agreeing to all-inclusive gross annual compensation of Euro 240,000. Therefore, the Foundation self-imposed the maximum limit for public employee compensation, which is equal to that amount. In this regard, the Court hopes that the aforementioned DPCM will soon be adopted, as that is the only legally qualified authority to set the compensation of the top management body

of FHT. The current contractual arrangement in force between FHT and the Director will then have to be coordinated with the provisions contained in the decree to be issued.

In light of the observations made hereinabove, considering the governance bodies that were appointed and operational in 2018, the total expense reported in the notes to the financial statements was Euro 205,628, and it was broken down as follows:

**Table 3 – Compensation actually accrued between 16 May 2018 and 31 December 2018**

<b>Bodies</b>	<b>Compensation accrued in Euro</b>
Supervisory Board (including the Chairman)	182,286
Management Committee	23,342

Source: FHT Notes to the Financial Statements 2018

The compensation of Euro 65,426 paid to the Chairman is counted in the compensation paid to the Supervisory Board, while counting, inter alia with regard to that body, the interim period during which his functions were performed.

### 3. INSTITUTIONAL ACTIVITY

Pursuant to Article 5, paragraph 1, of the Articles of Association and Article 1 of the Regulations, the Foundation pursues the aim of giving greater stimulus to the development of human and long-life technologies, by boosting public and private investment in the preventive medicine and health research areas, as consistent with the National Research Programme. FHT develops an integrated, multidisciplinary approach to health, genomics, nutrition, and data and decision-making science, particularly in regard to the Human Technopole scientific and research project, inter alia in connection with the university and research institution system. The activities of the Foundation are based on the principles of economy, efficiency and publication.

The Foundation is subject to supervision by its three founding Ministries, especially with regard to examination of the financial statements, and which hold the power of granting prior authorisation for acts involving complex financial activities (Article 2 of the Articles of Association).

To achieve its own institutional objectives, FHT manages the financing envisaged in Article 1, paragraph 121, of Law 232 of 2016 (i.e. the annual State contributions) and Article 5, paragraph 2, of Decree Law 185 of 25 November 2015, as converted into Law 9 of 22 January 2016 (i.e. the residual amounts of the initial allocation to IIT for the HT project, subsequently transferred to IIT in 2019). The Foundation operates through the creation of multi-year, non-profit programmes and projects to be developed, inter alia in collaboration with other authorities, research institutions, universities, and public and private organisations inside and outside Italy, through specific agreements and conventions (Article 5, paragraph 2, of the Articles of Association).

FHT may perform all acts and conclude contractual real estate, movable property and financial transactions deemed necessary and/or useful to achieve its institutional objectives and administer and manage the assets which it owns, leases or uses free of charge or otherwise possesses. In particular, for example but not limited to the following, the Foundation may:

-execute banking, financial, movable and immovable property transactions and request subsidies, contributions and loans;

- make contracts and agreements with private individuals, public entities and universities, both inside and outside Italy, for the operation of its own activities;
- make agreements and contracts, inter alia for the financing of approved transactions including, without excluding others, the acquisition of short or long-term loans, the acquisition through concession, commodatum or purchase of title or surface right of immovable property and the stipulation of any sort of agreements, including those that can be recorded in public registries, with public or private entities that are deemed appropriate and useful to realising the purposes of the Foundation;
- perform all activities as necessary to raise funds and donations, in cash or in kind;
- receive donations of real estate;
- participate or contribute to the formation of foundations, associations, consortia or other forms of public or private associations, but in any event dedicated to pursuing the aims of the Foundation;
- establish or participate in the establishment, always on an incidental and instrumental basis, of companies, start-ups, benefits, cooperatives and networks, and participate in companies of the same type whose purpose is synergistic with its own;
- sponsor studies, research and analysis that are directly focused on the activities and purposes of the Foundation;
- sponsor initiatives supporting the exploitation of research results, inter alia through patent protection of intellectual property (Article 5, paragraph 3, of the Articles of Association).

With regard to the financial year 2018 in particular, the relations between IIT and FHT were governed by a specific agreement pursuant to the Regulations. The purpose of that agreement was to report on the HT Project start-up activities performed by IIT in terms of incurred expenses and to govern the relationship between IIT and FHT, so that FHT could commence full operations in realisation of the project. The Foundation holds exclusive responsibility for the project.

Therefore, the agreement represented an extremely important act for the Foundation that had to be completed for ordinary and independent operation of its institutional activity. That agreement was executed at the end of the year inquest, and precisely on 12 December 2018. With regard to the activities already performed by IIT on behalf of

FHT until the Foundation became fully operational, FHT and IIT acknowledged<sup>14</sup> that they had identified the agreements made by IIT with third parties on behalf of the Foundation and expiring after 31 December 2018 and the list of assets that, together with the aforementioned agreements, were sold to the Foundation. In this regard, the Foundation had to accept the transfer of those agreements, assuming all of the obligations and commitments contained in them.

FHT essentially acquired title to all the steps of the HT Project that had been developed until that point<sup>15</sup>.

No litigation was pending and no equity interests in companies existed at 31 December 2018.

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<sup>14</sup> Annex A) of the Agreement.

<sup>15</sup> In particular, in response to the investigative requests made by this Court, the entity has reported the following agreements and commitments transferred to FHT: 1) *Masterplan* for the Human Technopole campus, elaborated by IIT together with Arexpo S.p.a., a publicly owned company, owner of the areas where Expo 2015 was held, and thus also of the areas and structures where the HT Project is located. That *Masterplan*, as the detailed concept of what was envisaged in the original HT Project approved with the DPCM of 16 September 2016, envisages that the project will use four buildings upon completion of its own process: Palazzo Italia (an Expo 2015 building to be repurposed); US6 (now renamed "Padiglione Nord", an Expo 2015 building to be repurposed); Cardo Nord-Ovest (now renamed "Padiglione Sud", an Expo 2015 building to be repurposed); Nuovo Palazzo (now renamed "Palazzo Sud", a new building to be constructed to satisfy the scientific needs of Human Technopole). 2) "Framework Agreement" between IIT (now FHT) and Arexpo, and specifically concerning: details for use of the portions of Palazzo Italia already occupied by the HT Project; agreements for maintenance, logistics and access to the site; agreements for repurposing Palazzo Italia and the Cardo Nord-Ovest and US6 structures. In particular, when the HT-IIT agreement was signed, the work on Palazzo Italia was at an advanced stage; the work on the Cardo Nord-Ovest had just started; the work on US6 was about to begin. 3) Other services/contracts useful for ensuring continuity on the HT Project, for example the website management and hosting services or the intellectual property of the HT brand. 4) Agreement between the Milan Polytechnic and IIT (now FHT) for establishment of the CADS, *Centre for Analysis, Decision and Society*, one of the centres envisaged in the HT *Masterplan*. When the Foundation was created, the CADS was governed by an agreement signed on 17 April 2017. 5) Hiring by FHT of the staff recruited by IIT to work on the HT Project, i.e. ten junior administrative employees who started to work for the Foundation on 1 January 2019, ensuring continuity of the project.

## 4. ADMINISTRATIVE STRUCTURE AND HUMAN RESOURCES

### 4.1 The head office

The Foundation has its registered office in Milan and may establish branches, representative offices, delegations and offices inside and outside Italy, pursuant to Article 1 of the Articles of Association.

After approval of the HT Project elaborated by IIT with the DPCM of 16 September 2016, that entity was authorised to commence the preparatory activities for its construction on the former Expo site.

On 3 August 2017, owner of the Arexpo S.p.a. and IIT areas signed a framework agreement that regulated the start-up phase for realisation of the HT Project on the former Expo site.

As previously mentioned, the installation on the site envisaged by the framework agreement calls for use by FHT of various buildings owned by Arexpo, and in particular “Palazzo Italia”, buildings of the “*South Pavilion*” and “*North Pavilion*”, and a plot of land measuring a total of about 22,000 square metres on which one or more new buildings will stand (the “*South Building*”).

With regard to the first three buildings, the framework agreement prescribes that the installation of FHT be realised after Arexpo executes the repurposing work agreed by the parties in the same framework agreement and that FHT move in upon completion of the aforementioned work, with it doing so on the basis of a long-term lease (25 years) and, during performance of the work, by means of a successive commodatum agreements for free use. This is without prejudice to the recognised right of FHT to purchase the buildings at any time.

In implementation of the framework agreement, Arexpo first delivered 132 workstations at Palazzo Italia, which since January 2018 has housed the first researchers and technical and administrative staff involved in the project. Another 58 new workstations were delivered in the second half of 2018.

When it becomes fully operational, it is expected that FHT will be a large-scale national research complex with over 30,000 m<sup>2</sup> of interdisciplinary laboratories for data sciences, genomics, neurosciences, and computational and structural biology. It will employ over 1,000 scientists in different fields, including biologists, biocomputer scientists, chemists, engineers, mathematicians and computer scientists, who will work together on biomedical research.

## **4.2 The corporate structure**

### **4.2.1 Organisational chart and cost of employees**

Pursuant to Article 1, paragraph 120, of Law 232 of 2016, the Foundation may use staff, including senior managers, to perform its own activities. Those staff members are made available for this purpose on request by the Foundation, in compliance with applicable laws and regulations, by entities and other parties identified pursuant to Article 1, paragraph 2, of Law 196 of 31 December 2009, excluding teachers from educational institutions. It may also draw on the collaboration of domestic and foreign experts and consulting firms, or of universities and university and research institutes.

To perform its scientific activities, the Foundation uses scientists and experts who are mainly hired on a definite term basis through international competitive procedures and in compliance with the terms and conditions identified in the Human Technopole scientific and research project, through contracts that have a total duration not exceeding ten years. Specific regulations issued by the Supervisory Board established the procedures for recruitment and management of personnel who can ensure the prevalence of definite term employment agreements, while at the same time guaranteeing continuity in the performance of scientific activities and organisational functionality of the Foundation.

To perform its administrative activities, the Foundation may establish definite and indefinite term employment relationships by means of recruitment procedures in compliance with the rules for advertisement and transparency in recruitment, pursuant to the procedures indicated in specific employee regulations, with specific reference to assessment of the character and professional requirements stipulated for the vacant positions.

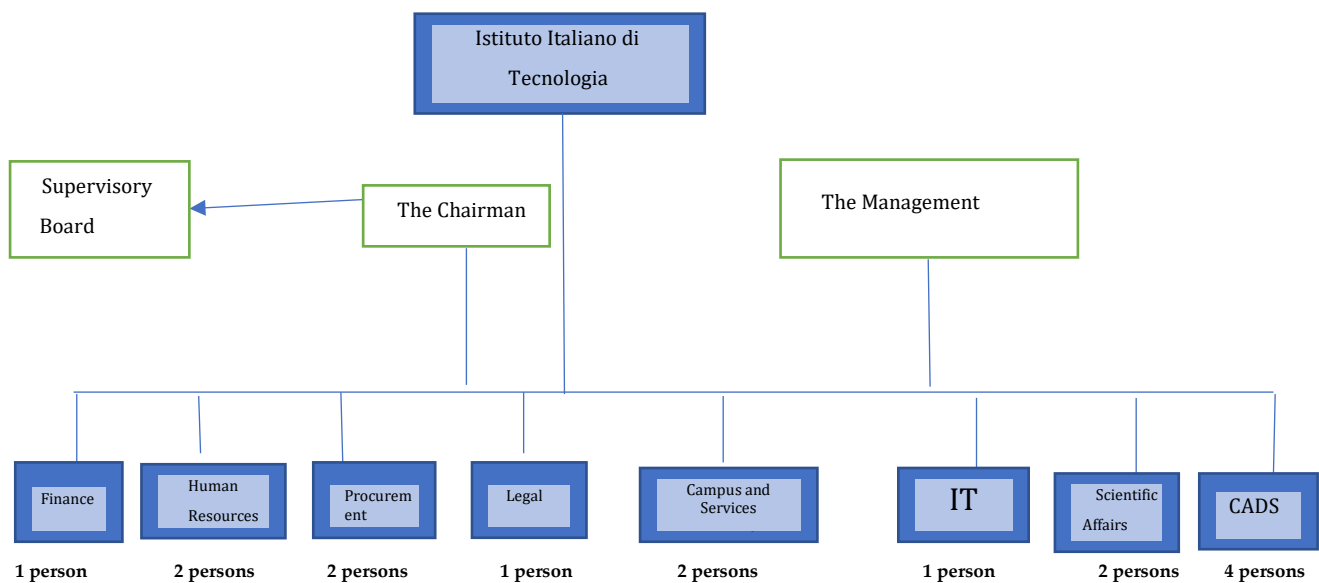
The Foundation did not have any employees of its own in 2018, as they were hired beginning in 2019. It temporarily relied on the human and capital resources of IIT, which covered their costs at that time, using part of the funds provided for starting up the HT Project. This was done pursuant to the provisions of Article 1, paragraph 120, of Law 232 of 2016 and by Article 11, paragraph 3, of the Regulations.

In fact, after publication of the public notices on the website of the Istituto Italiano di Tecnologia in 2017 and 2018, the employees dedicated exclusively to the Human Technopole project were recruited by the IIT Project Unit with the assistance of a

head hunting firm and were hired on a definite term basis with a 31 December 2018 expiration date, according to the employment agreement applied to employees of the Institute itself. There was total of fifteen such ad hoc employees at 31 December 2018.

The table contains the organisational chart at 31 December 2018 of the employees who were specifically hired for the HT Project<sup>16</sup>:

**Graphic 1 – Organisational chart at 31 December 2018 of employees who were specifically hired for the HT Project**



Source: HT Investigative Report of 17 December 2019

### 4.3 The Head of Operations

With regard to the recruitment of senior managers aside from the Director, the process of selecting the Head of Operations, the Strategy and Scientific Affairs Officer and the Chief of Staff of the Chairman’s Office was completed at the end of 2018<sup>17</sup>.

<sup>16</sup> Other individuals, employees of IIT and not hired specifically for the HT Project, otherwise performed activities in support of the project during their working hours for an additional amount reported by IIT totalling Euro 342,721.19.

<sup>17</sup> Management Report on the financial statements at 31 December 2018.



With specific reference to the first position, the job vacancy notice for selection of the Head of Operations of the Human Technopole Foundation was approved by the Supervisory Board, the only governance body existing at the time, at its meeting on 12 July 2018<sup>18</sup>.

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<sup>18</sup> The job vacancy notice was published on 13 July 2018 for two months on the Human Technopole Foundation website and in the magazines *The Economist*, *Science* and *Nature*.

## **5. FINANCIAL STATEMENTS**

Pursuant to Article 13, paragraph 3, sub-paragraph c), and Article 21, paragraph 2 of the Articles of Association, and on proposal by the Management Committee, the Supervisory Board of the Foundation approves the financial statements accompanied by the report of the Board of Auditors by the deadline of 30 April every year.

In the absence of a Board of Auditors, the Supervisory Board approved the financial statements for 2018 on 29 April 2019, together with the report by the previously mentioned independent auditor presented on 24 April 2019.

In that report, the independent auditor stated that, on the basis of its inspections and audits, the financial statements offered a true and fair view of the assets, liabilities and financial position of the Foundation at 31 December 2018, of its net income and cash flow for the year ended at that date in compliance with the national laws and regulations governing its preparation.

The financial statements are comprised by the balance sheet, income statement, statement of cash flow and notes to the financial statements, and are accompanied by the management report.

### **5.1 Balance Sheet**

The balance sheet has been organised into macro-categories, according to the principle of showing growing liquidity, while the groups and items are broken down by kind.

The various balance sheet items are shown net of adjustments.

The memorandum accounts are not shown in the financial statements and are described in the notes to the financial statements.

**Table 4 – Balance Sheet**

Assets	2018
<b>A) Receivables from the State or public entities for participation in the initial capitalisation</b>	
<b>B) Non-current assets</b>	
<b>I. Intangible assets</b>	
4) Concessions, licenses, trademarks and similar rights	
5) Goodwill	
<b>II. Property, plant and equipment</b>	
1) Land and buildings	
2) Plant and machinery	
3) Industrial and commercial equipment	
4) Other assets	
<b>III. Financial assets</b>	
d-bis) receivable from others – within 12 months	
<b>C) Current assets</b>	<b>6,393,730</b>
<b>I. Inventories</b>	
1) Raw materials, supplies and consumables	
3) Contract work in progress	
<b>II Receivables</b>	
1) trade receivables – within 12 months	
4) receivables from parent companies – within 12 months	
5-bis) Tax receivables – within 12 months	
5-quarter) Receivables from others – within 12 months	
<b>III. Financial assets not held as fixed assets</b>	
6) Other securities	
<b>IV. Cash and cash equivalents</b>	<b>6,393,730</b>
1) Bank and postal deposits	<b>6,393,730</b>
3) Cash and cash equivalents on hand	
<b>D) ACCRUED INCOME AND PREPAID EXPENSES</b>	
- miscellaneous	
<b>Total Balance Sheet Assets</b>	<b>6,393,730</b>

Source: FHT financial statements 2018

<b>Liabilities</b>	<b>2018</b>
<b>A) Shareholders' equity</b>	<b>28,766</b>
I. Share capital	
IV. Legal reserve	
VI. Other reserves, listed individually	
VIII. Retained earnings (losses)	
<b>I. Profit (loss) for the year</b>	<b>28,766</b>
<b>B) Provisions for risks and charges</b>	
4) Others	
<b>C) Employee termination benefits</b>	
1) Provisions for employee termination benefits	
<b>D) Payables</b>	<b>108,831</b>
4) bank borrowings - within 12 months	
5) borrowings from other lenders - within 12 months	
7) trade payables - within 12 months	<b>4,880</b>
11) payables to parent company - within 12 months	
12) Tax payables - within 12 months	<b>32,753</b>
13) payables to social security institutions	<b>14,520</b>
14) Other payables - within 12 months	<b>56,678</b>
<b>E) Accrued expenses and deferred income</b>	<b>6,256,133</b>
<b>Total Balance Sheet Liabilities</b>	<b>6,393,730</b>

Source: FHT financial statements 2018

### **Cash and cash equivalents**

The cash and cash equivalents and cash on hand are recognised at their face value, for the amount at the end date of the year.

Given that the 2018 financial year of FHT actually began with appointment of the Supervisory Board on 16 May 2018, the following summary illustrates the amount of the public contribution disbursed pursuant to Article 1, paragraph 121, Law 232 of 2016, the expenses incurred and the remaining liquidity.

Amount of contribution received on 22 October 2018 (see page 9 of the Notes to the Financial Statements)	Euro 6,531,520
Outlays from 01/11/2018 to 31/12/2018	Euro 137,790 (related to Euro 241,220 as shown on page 3 of the Income Statement)
Residual liquidity at 31/12/2018 (see page 4 of the Notes to the Financial Statements)	Euro 6,393,730

Source: 14 May 2019 cover letter of Chairman of FHT accompanying the financial statements 2018 sent to this Court

## **Payables**

The payables are recognised at the face value considered representative of their discharge value and substantially compliant with the amortised cost principle.

The trade payables, amounting to Euro 4,880, consist of the value of invoices to be received for services rendered and orders delivered but not invoiced by the closing date of the year. They represent the compensation agreed for the account audit commissioned from the independent firm.

The tax payables, amounting to Euro 32,753, include the liabilities for tax withholding charged as withholding agent and for the direct taxes for the year represented by IRAP (regional tax on productive activity). The latter is calculated according to the estimated tax charges to be paid in compliance with applicable tax law.

The payables to social security institutions, amounting to Euro 14,520, consist of the value of the social security contributions for collaborators accrued but not yet paid at the closing day of the year.

The other payables, totalling Euro 56,678, comprise the remaining payables not included in the preceding items due to their nature.

## **Accrued expenses and deferred income**

The accrued expenses and deferred income, amounting to Euro 6,256,133, consists of the deferred income for the portion of the contribution made during the year, and collected in 2018, deferred for accrual in subsequent years according to the progress made on the project.

## **Shareholders' equity**

Pursuant to Article 1, paragraph 119, of Law 232 of 11 December 2016, the equity capital of the Foundation is formed of contributions by the founding Ministries and increased by additional contributions by the State, and by resources provided by public and private entities and individuals.

The endowment fund is comprised of the restricted provisions for start-up of the Human Technopole scientific project, pursuant to Article 5 of Decree Law 185 of 25 November 2015, as converted into Law 9 of 22 January 2016, which was initially ascribed to IIT for a budgeted amount of Euro 80,000,000, and subsequently recalculated as Euro 79,900,000 by the DPCM of 16 September 2016.

That endowment fund was recognised by FHT in 2019, after IIT transferred the remaining resources amounting to Euro 77,140,000.

## **5.2 Income Statement**

The income statement was prepared in accordance with the format dictated by Articles 2425 and 2425 *bis* of the Italian Civil Code. That format is characterised by the structure of costs and revenue of actual production, presented in scalar form and whose contents are ordered according to their nature.

It is broken down into three areas highlighting:

- continuing operations (items A and B), which is comprised by the typical and atypical activities of the Foundation and whose net result is indicated by the definition: “difference between value and costs of production”;
- financial income and expense (items C and D), which refers to the income and expense resulting from monetary funding activities and temporary investment of those funds in anticipation of their use in continuing operations;
- non-recurring operations (item E), which covers both the positive and negative elements of income recognised in the income statement for the year but accrued in previous years, and the income and expense not associated with the continuing operations of the entity (which are consequently defined as non-recurring);
- income tax (item 22), which is comprised of the direct taxes (IRAP – regional tax on productive activity – and IRES – corporate income tax) charged to the taxable income for the year.

**Table 5 – Income Statement**

Income Statement	2018
<b>A) VALUE OF PRODUCTION</b>	<b>275,387</b>
<i>of which</i>	
1) Sales and service revenue	
3) Change in contract work in progress	
5) Other revenue and income	
a) <i>miscellaneous</i>	1
b) <i>contributions for current expenses</i>	275,387
<b>B) COSTS OF PRODUCTION</b>	<b>241,220</b>
<i>of which</i>	
6) For raw materials, supplies, consumables and merchandise	
7) For services	241,196
8) Leases and rentals	
9) Employees	
a) <i>Wages and salaries</i>	
b) <i>Social security and welfare contributions</i>	
c) <i>Employee termination benefits</i>	
e) <i>Other costs</i>	
10) Amortisation, depreciation and impairment	
a) <i>Amortisation</i>	
b) <i>Depreciation</i>	
d) <i>Impairment of current receivables and cash and cash equivalents</i>	
11) Change in raw materials, supplies, consumables and merchandise inventories	
12) Accruals for risks and charges	
13) Other operating costs	24
<b>Difference (A-B)</b>	<b>34,168</b>
<b>C) FINANCIAL INCOME AND EXPENSES</b>	<b>92</b>
16) Other financial income	
d) <i>miscellaneous income (with separate indication of income from subsidiaries, associates and parent companies and from companies under the control of the parent companies)</i>	92
17) <i>financial interest and expenses (with separate indication of those payable to subsidiaries, associates and parent companies)</i>	
<b>Pre-tax income (loss)</b>	<b>34,260</b>
20) Current, deferred and prepaid income tax for the year	5,494
<b>Operating surplus/deficit for the year</b>	<b>28,766</b>

Source: FHT financial statements 2018

Income and expenses were recognised on an accrual basis, independently of the date of collection and payment, and the principle of prudence, inter alia according to conservation of the value of the equity of the Fondazione Human Technopole as a going concern.

The entity observes that in application of accounting principle no. 1 for non-profit entities, the contributions received for current expenses, both pursuant to law and contractual provisions, related to specific activities of the Foundation are recognised on an accrual basis, according to the incurred expenses to which they refer, independently of their collection.<sup>19</sup>

This contribution was received in 2018, recognising the portion related to costs incurred during the year under “other revenue and income” on the income statement, while deferring the portion accruing in subsequent years through recognition as deferred income.

The value of production for the year in question was recognised by FHT in the amount of Euro 275,387, which results from the amount of the contribution to current expenses in 2018, as a portion of the total state contribution totalling Euro 6,531,520, as previously mentioned.

The costs of production totalled Euro 241,220, of which Euro 241,196 for services, broken down as follows.

**Table 6 – Costs for services**

Income Statement item: costs for services	241,196
breakdown:	
compensation of Management Committee	23,342
compensation of Supervisory Board	182,286
social security and welfare contributions on Management Committee/Supervisory Board compensation	30,673
expenses for bank services	15
Suppliers (independent auditor)	4,880
<b>Total</b>	<b>241,196</b>

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<sup>19</sup> The principle prescribes that “if a correlation can be found between income not constituting consideration, that income may be associated with the expenses for the year. That correlation may constitute a fundamental corollary of the accrual principle of the operating events characterising the institutional activities and expresses the need to counterbalance the expenses for the year, regardless of whether they are certain or presumed, with the associated income”. Since these are contributions directly related to the continuing operations of the Foundation, they are recognised in the income statement at item A5) Other Revenue and income when they are recognised separately in the sub-account “Contributions for current expenses”.



Pre-tax income totalled Euro 34,260, with current taxes of Euro 5,494 resulting, according to the notes to the financial statements, the regional tax on productive activity (IRAP) accrued for 2018.

The taxes are recognised on an accrual basis and in accordance with applicable tax law. There were no deferred tax liabilities or deferred tax assets for prepaid taxes at the closing date of the year.

The financial year 2018 ended with a surplus of Euro 28,766.

## **5.4 Statement of Cash Flow**

The Statement of Cash Flow, prepared on the basis of the statement mandated by Article 2423, paragraph 1, Italian Code of Civil Procedure, constitutes a component of the financial statements, together with the balance sheet, income statement and notes to the financial statements.

Accounting principle OIC 10, which defined the criteria for the preparation and presentation of the statement of cash flow, has prescribed a single format according to the liquidity principle. The flows of cash and cash equivalents are presented separately from the cash flow from continuing operations, cash flow from investment activity, and cash flow from financing activity. Moreover, the same principle leaves the option of representing the cash flow from continuing operations by using the direct or indirect method. The Foundation has opted for the indirect method.

The Statement of Cash Flow shows that before the changes in net working capital, cash flow was Euro 34,168, a figure that we also find in the Income Statement as the difference between revenue and costs. The cash flow from continuing operations subsequent to the changes in net working capital, was Euro 6,393,638. Finally, after the other adjustments for interest of Euro 92, it amounted to Euro 6,393,730, as the remaining cash and cash equivalents at the end of the year.

The following table present the Statement of Cash Flow 2018.

**Table 7 – Statement of Cash Flow**

Cash flow		2018
<b>A. Cash flow from continuing operations (indirect method)</b>		
<b>Profit (loss) for the year</b>		<b>28,766</b>
Income tax		5,494
Interest expense (interest income)		(92)
(Dividends)		
(Gains)/losses from disposal of assets		0
<b>1. Profit (loss) for the year before income tax, interest, dividends and gains/losses from disposal</b>		<b>34,168</b>
<i>Adjustments to non-monetary items with no balancing entry in net working capital</i>		
Accruals to provisions		
Amortisation and depreciation		
Impairment		
Adjustments to financial assets and liabilities of derivative financial instrument without any monetary movement		
Other adjustments for non-monetary elements		0
<b>2. Cash flow before changes in net working capital</b>		<b>34,168</b>
	<i>Total Changes in net working capital</i>	6,359,470
Decrease/(increase) in inventories		
Decrease/(increase) in trade receivables		
Increase/(decrease) in trade payables		4,880
Decrease/(increase) in accrued income and prepaid expenses		
Increase/(decrease) in accrued expenses and deferred income		6,256,133
Other decreases/(Other increases) in net working capital		98,457
<b>3. Cash flow after changes in net working capital</b>		<b>6,393,638</b>
	<i>Total other adjustments</i>	92
Interest received/(paid)		92
(Income tax paid)		
Dividends received		
Use of provisions		
Other receipts and payments		
<b>4. Cash flow after other adjustments</b>		<b>6,393,730</b>
<b>Cash flow from continuing operations (A)</b>		<b>6,393,730</b>
<b>B. Cash flow from investment activity</b>		
<b>Property, plant and equipment</b>		
(Investments)		
Divestments		
<b>Intangible assets</b>		
(Investments)		
Divestments		
<b>Financial fixed assets</b>		
(Investments)		
Divestments		
<b>Financial assets that are not fixed assets</b>		
(Investments)		
Divestments		
<b>(Changes due to absorption of Isa Spa and Sgfa Srl pursuant to Law 208/2015)</b>		
<b>Sale of business units net of cash and cash equivalents</b>		
<b>Cash flow from investment activity (B)</b>		
<b>C. Cash flow from financing activity</b>		
<i>Loan capital</i>		
Increase (decrease) in short-term bank borrowings		
Acquisition of loans		
Repayment of loans		
<i>Equity capital</i>		
Issue of shares for a consideration		0
(Repayment of principal)		
Sale (purchase) of treasury shares		0

(continued)

Dividends (and interim dividends) paid	0
(Changes due to absorption of Isa Spa and Sgfa Srl pursuant to Law 208/2015)	0
Cash flow from financing activity (C)	
<b>Increase (decrease) in cash and cash equivalents (a ± b ± c)</b>	<b>6,393,730</b>
Foreign exchange effect on cash and cash equivalents	
Cash and cash equivalents at beginning of year	
of which:	
bank and postal deposits	
Cheques	
cash and cash equivalents on hand	
<b>Total Cash and cash equivalents at end of year</b>	<b>6,393,730</b>
of which:	
bank and postal deposits	6,393,730
Cheques	0
cash and cash equivalents on hand	

Source: Financial Statements 2018

## 6. CONCLUSIONS

In this report to Parliament on the financial performance of the Human Technopole Foundation in 2018, we should first highlight the choice made by lawmakers to set up a private law Foundation tasked with

promoting avant-garde biomedical research, inter alia as a magnet for outstanding science professionals in that field.

In this regard, the Court believes that the legal and organisational arrangement of the entity, predominantly based on private law rules, does not eliminate the need to invest its funds, originating in the public finance system, according to the principles of efficiency, effectiveness and economy.

The Human Technopole Project was first envisaged in Article 5 of Decree Law 185 of 25 November 2015, as converted into Law 9 of 22 January 2016. That decree law allocated a contribution of Euro 80,000,000 for the year 2015 to the Istituto Italiano di Tecnologia, to realise the integrated, multidisciplinary scientific and research project on health, genomics and data science as part of the projects to develop the areas used for the big Expo event.

The working drawings, specifications, and bills of quantities, prepared by IIT with the participation of other entities, were approved by Decree of the President of the Council of Ministers (“DPCM”) on 16 September 2016. Beginning on that date, a special unit keeping segregated accounts was set up at IIT, with a specific Coordination Committee to perform the related activities.

Subsequently, the Human Technopole Foundation was established pursuant to Article 1, paragraphs 116-123 of Law 232 of 11 December 2016, *“to create an integrated multidisciplinary scientific and research infrastructure of national interest in the health, genomic, nutrition and data science and decision-making science sectors and to realise the scientific and research project named Human Technopole”*. This was done to increase public and private investments in the prevention and health research sectors, in accordance with the National Research Programme.

The governance bodies of the Foundation – the Chairman, the Supervisory Board and the Management Committee – were installed on different dates in 2018. The Director was subsequently installed in his position on 1 January 2019, although he had provided support on an independent basis during the previous six months, in the framework of a

consulting agreement. So, those governance bodies, regulated by the Articles of Association, operated during a peculiar start-up phase in the year examined in this report, in which the role of IIT was still significant, inter alia in terms of ownership of the relevant legal relationships, for example concerning the management of human and material resources.

The Board of Auditors was seated only on 29 October 2019, i.e. about one year after the Management Committee and one-and-a-half years after the Supervisory Board, after a delay in the procedure to appoint the members of the Board of Auditors by the statutorily competent State Agencies. This caused objective problems during that delay, in terms of the organisational compliance of the entity, procedural complications for its activity, and higher costs for the acquisition of legal opinions. The Audit of the financial statements 2018 of the Foundation was assigned to an independent auditor.

With regard to the human resources, the staff dedicated exclusively to the Human Technopole Project was recruited with the assistance of a head-hunting firm in 2017 and 2018 by the IIT project unit after publication of public notices on the Istituto Italiano di Tecnologia website, and hired by IIT for a definite term ending on 31 December 2018, based on the employment agreement used for employees of the Institute itself. The costs of the employees assigned to the Human Technopole Project, pursuant to the Agreement made by FHT and IIT, were incurred by IIT for the financial year 2018, with specific allocation to the resources provided pursuant to Decree Law 185 of 25 November 2015.

Finally, in strictly accounting terms, the limited activity during the examined year (16 May 2018 – 31 December 2018), which occurred during a start-up phase in preparation for development in the subsequent years, means that the financial statements 2018 are of modest importance.

In this regard, the endowment fund is comprised by the restricted provisions for start-up of the Human Technopole scientific project, initially allocated to IIT for a budgeted amount of Euro 80,000,000, which was then recalculated in the amount of Euro 79,900,000 by the DPCM of 16 September 2016. That endowment fund was recognised by FHT in 2019, after IIT transferred the remaining resources amounting to Euro 77,140,000.

The financial year ended with a surplus of Euro 28,766: the value of production was Euro 275,387, deriving from the annual allocation for 2018 of the State contribution, totalling Euro

6,531,520, while deferring the part accruing in subsequent years through the recognition of deferred income. The costs of production totalled Euro 241,220, of which Euro 241,196 for services.



COURT OF AUDITORS – DIVISION OF ENTITY SUPERVISION

