

# **FINAL ANNUAL ACCOUNTS**

**Financial Year 2019**

**Financial statements and reports on the  
implementation of the budget**

**Accompanied by**

**Report on budgetary and financial  
management 2019**

**Helsinki, 26 May 2020**

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## **INTRODUCTION**

### ***Basis for preparation***

The final annual accounts of the European Chemicals Agency include the financial statements and the budgetary implementation reports. They are accompanied by the reports on budget and financial management during the year, drawn up under the responsibility of the Executive Director with the technical assistance of the Accounting Officer.

The financial statements comprise of the balance sheet, the statement of financial performance, the cash flow table and the statement of changes in capital. The notes to the financial statements supplement and comment on the information presented in the statements.

The objective of financial statements is to provide information about the financial position, performance and cash flows of an entity that is useful to a wide range of users. For a public sector entity such as the European Chemicals Agency the objectives are more specifically to provide information useful for decision making and to demonstrate the accountability of the entity for the resources entrusted to it.

The financial statements have been prepared in accordance with the Financial Regulation of the European Chemicals Agency and with the European Union (EU) accounting rules and methods adopted by the European Commission's Accounting Officer, following the principles of accrual based accounting. The budgetary implementation reports are prepared on the basis of the modified cash accounting principle. All the figures presented in this document are in EURO.

### ***Reporting entity***

The European Chemicals Agency, located in Helsinki, Finland is a public sector entity established by the Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

The Agency is established for the purposes of managing and in some cases carrying out the technical, scientific and administrative aspects of the REACH Regulation so as to ensure consistency at EU level in relation to these aspects (Article 75 of the REACH Regulation).

The Agency shall also provide the Member States and the institutions of the EU with the best possible scientific and technical advice on questions relating to chemicals which fall within its remit and which are referred to in accordance with the provisions of the REACH Regulation.

In addition, the Agency has tasks related to the classification and labelling of chemical substances deriving from the CLP Regulation (EC) 1278/2008. In particular, the Agency shall provide Member States and the Institutions of the EU with the best possible scientific advice and, also, provide industry and Member State authorities with technical and scientific guidance.

As from 2012, the Agency was given the task to manage and carry out technical, scientific, and administrative aspects of the Biocidal Products Regulation as well as similar tasks related to the export and import of dangerous chemicals under the PIC Regulation. The Agency commenced invoicing of applicants under the Biocidal Products Regulation as from 01 September 2013.

As from July 2019, the Agency was given the task to support the Commission and the Member States under the Stockholm Convention for the identification of new Persistent organic pollutants and the reporting on regulatory actions under the POPs Regulation.

The Agency's expenditure, in 2019, in respect of the PIC and POPs Regulation, was financed by a subsidy from the general budget of the EU. The Agency's REACH and CLP and Biocidal Products expenditure was financed from a subsidy and from the fee-generated income.

**CERTIFICATION BY THE ACCOUNTING OFFICER**

**of ECHA's Final Annual Accounts 2019**

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the European Chemicals Agency in accordance with Article 102 of the Framework Financial Regulation ('FFR')<sup>1</sup> and I hereby certify that the annual accounts of the European Chemicals Agency for the year 2019 have been prepared in accordance with Title IX of the FFR and the accounting rules adopted by the Commission's Accounting Officer, as are to be applied by all the institutions and union bodies.

I have obtained from the Authorising Officer, who certified its reliability, all the information necessary for the production of the accounts that show the European Chemicals Agency's assets and liabilities and the budgetary implementation. Based on this information, and on such checks as I deemed necessary to sign off the accounts, I have a reasonable assurance that the accounts present fairly, in all material aspects, the financial position, the results of the operations and the cash-flow of the European Chemicals Agency.



**Simos Boursalian**  
**Accounting Officer**

**26.05.2020**

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<sup>1</sup> COMMISSION DELEGATED REGULATION (EU) 2019/715 of 18 December 2018 on the framework financial regulation for the bodies set up under the TFEU and Euratom Treaty and referred to in Article 70 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council.

## 1. FINANCIAL STATEMENTS

### 1.1. Balance Sheet

ASSETS	Note	31.12.2019	31.12.2018
<b>NON CURRENT ASSETS</b>			
<b>Intangible fixed assets</b>	2.1.1		
Computer software		17 771 802	23 029 390
Intangible fixed assets under development		5 435 563	5 349 068
<b>Tangible fixed assets</b>	2.1.1		
Computer hardware		236 901	541 403
Furniture and Other fixtures & fittings		1 339 763	1 174 902
Other assets under finance lease		247 527	31 308
<b>TOTAL NON CURRENT ASSETS</b>		<b>25 031 556</b>	<b>30 126 071</b>
<b>CURRENT ASSETS</b>			
Exchange receivables	2.1.2	3 779 435	3 993 588
Non-exchange receivables	2.1.3	985 207	1 139 844
Cash and cash equivalents	2.1.4	19 210 956	20 033 946
Current pre-financing	2.1.5	11 726	76 376
<b>TOTAL CURRENT ASSETS</b>		<b>23 987 323</b>	<b>25 243 754</b>
<b>TOTAL ASSETS</b>		<b>49 018 879</b>	<b>55 369 825</b>

NET ASSETS AND LIABILITIES	Note	31.12.2019	31.12.2018
<b>NET ASSETS</b>			
Accumulated result		28 336 033	34 184 003
Economic result of the year /(loss)	1.2	(16 620 852)	(5 847 970)
<b>TOTAL NET ASSETS</b>	1.4	<b>11 715 181</b>	<b>28 336 033</b>
<b>NON CURRENT LIABILITIES</b>			
Long term financial lease liability		158 066	19 483
Provisions for risks and charges	2.1.6	96 000	126 645
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>254 066</b>	<b>146 129</b>
<b>CURRENT LIABILITIES</b>			
Short-term financial lease liability		85 986	11 130
Current payables	2.1.7	5 547 086	7 656 588
Accrued charges	2.1.9	8 602 786	6 171 853
Deferred revenue	2.1.8	22 813 774	13 048 092
<b>TOTAL CURRENT LIABILITIES</b>		<b>37 049 632</b>	<b>26 887 664</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>49 018 879</b>	<b>55 369 825</b>

**1.2. Statement of Financial Performance**

Statement of Financial Performance	Note	2019	2018
Exchange revenue		35 805 504	86 121 580
Non-exchange revenue		65 077 606	28 758 918
<b>TOTAL REVENUE</b>	2.2.1	<b>100 883 110</b>	<b>114 880 499</b>
Administrative expenses			
- Staff expenses		(63 216 136)	(67 806 865)
- Fixed asset related expenses		(13 885 067)	(15 158 415)
- Other administrative expenses		(15 810 012)	(16 544 672)
Operating expenses		(24 588 056)	(21 208 221)
Financial expenses		(4 691)	(10 296)
<b>TOTAL EXPENSES</b>	2.2.2	<b>(117 503 962)</b>	<b>(120 728 469)</b>
<b>ECONOMIC RESULT OF THE YEAR</b>		<b>(16 620 852)</b>	<b>(5 847 970)</b>

**1.3. Cash Flow Statement**

Cash Flow Statement	Note	2019	2018
<b>Economic result of the year</b>	1.2	<b>(16 620 852)</b>	<b>(5 847 970)</b>
<u>Adjustments</u>			
Amortisation (intangible fixed assets)	2.1.1	11 919 237	12 626 811
Depreciation (tangible fixed assets)	2.1.1	1 200 183	2 147 868
Impairment (intangible fixed assets)	2.1.1	630 496	-
Impairment (tangible fixed assets)	2.1.1	135 151	383 736
Decrease in exchange receivables		214 154	483 749
(Increase)/decrease in non-exchange receivables		154 637	(925)
(Increase)/decrease in current pre-financing		64 650	(76 376)
Increase/(decrease) in provisions for risks		(30 645)	39 145
Increase in other long-term liabilities		138 583	19 483
Decrease in current payables		(2 034 645)	(2 001 233)
Increase in accrued charges and deferrals		12 196 614	1 379 521
<b>Net cash flow from ordinary activities</b>		<b>7 967 563</b>	<b>9 153 810</b>

<b>Cash flows from investing activities</b>			
Increase of intangible & tangible fixed assets		(8 790 553)	(7 970 223)
Decrease in current financial assets (Deposits)		-	185
<b>Net cash flow from investing activities</b>		<b>(8 790 553)</b>	<b>(7 970 038)</b>

Net (decrease)/increase in cash & cash equivalents		(822 990)	1 183 772
<b>Cash &amp; cash equivalents beginning of the year</b>	2.1.4	20 033 946	18 850 174
<b>Cash &amp; cash equivalents end of the year</b>	2.1.4	<b>19 210 956</b>	<b>20 033 946</b>

#### 1.4. Statement of Changes in Net Assets

	<b>Accumulated Surplus / (Deficit)</b>	<b>Economic result of the year</b>	<b>Net Assets</b>
<b>Balance as of 01.01.2018</b>	<b>40 604 569</b>	<b>(6 420 566)</b>	<b>34 184 003</b>
Allocation of the economic result of previous year	(6 420 566)	6 420 566	-
Economic result of the year 2018	-	(5 847 970)	(5 847 970)
<b>Balance as of 31.12.2018</b>	<b>34 184 003</b>	<b>(5 847 970)</b>	<b>28 336 033</b>
Allocation of the economic result of previous year	(5 847 970)	5 847 970	-
Economic result of the year 2019	-	(16 620 852)	(16 620 852)
<b>Balance as of 31.12.2019</b>	<b>28 336 033</b>	<b>(16 620 852)</b>	<b>11 715 181</b>

## 2. NOTES TO THE FINANCIAL STATEMENTS

### 2.1. Notes to the balance sheet

#### 2.1.1. Intangible and tangible fixed assets

##### General

Items acquired with purchase price at EUR 1 000 or above and with a period of use greater than one (1) year, are recorded in the fixed assets accounts. Items with an acquisition price below EUR 1 000 are charged to the statement of financial performance in the financial period that they are acquired. Intangible assets (mainly IT developments) are recognised if the criteria of recognition are met in accordance with EU Accounting Rule No 6 and the cumulative development costs, including internal resources, exceeds EUR 500 000.

Intangible and tangible fixed assets are stated at historical cost (purchase cost/development cost less amortisation and depreciation and impairment losses). Historical cost includes expenditure that is directly attributable to the acquisition or development costs of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Agency and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

As at 31 December 2019 and 2018 specific tangible assets were subject to finance lease arrangement. Their net carrying amount is disclosed in the Tangible Assets tables below.

The depreciation method chosen is the monthly straight-line method. The annual depreciation rates per asset type are as follows:

##### Intangible fixed assets:

Computer software (including licences)	25%
Internally developed IT software	25%

##### Tangible fixed assets:

Furniture and vehicles	10% to 25%
Computer hardware	25%
Other fixtures and fittings	10% to 33%



**Intangible fixed assets**

Intangible fixed assets are mainly computer software, acquired licences and activated costs for internally developed software.

Internally developed intangible assets are capitalised in accordance with the principles laid out in the EC Accounting Rule 6 on intangible fixed assets.

The following table represents the capitalised intangible fixed assets as at 31 December 2018 and 2019.

Intangible fixed assets		Internally generated Computer Software	Purchased Computer Software	Intangible fixed assets under Development	Total
<b>Gross carrying amounts 01.01.2018</b>	+	<b>63 025 987</b>	<b>5 810 613</b>	<b>1 865 480</b>	<b>70 702 079</b>
Additions	+	-	32 740	7 743 319	7 776 059
Transfer between headings	+/-	4 259 731	-	(4 259 731)	-
<b>Gross carrying amounts 31.12.2018</b>		<b>67 285 718</b>	<b>5 843 353</b>	<b>5 349 068</b>	<b>78 478 138</b>
<b>Accumulated amortisation and impairment 01.01.2018</b>	-	<b>(31 862 527)</b>	<b>(5 610 342)</b>	-	<b>(37 472 869)</b>
Amortisation	-	(12 545 780)	(81 031)	-	(12 626 811)
<b>Accumulated amortisation and impairment 31.12.2018</b>		<b>(44 408 307)</b>	<b>(5 691 373)</b>	-	<b>(50 099 680)</b>
<b>Net carrying amounts 31.12.2018</b>		<b>22 877 411</b>	<b>151 980</b>	<b>5 349 068</b>	<b>28 378 458</b>

<b>Gross carrying amounts 01.01.2019</b>	+	<b>67 285 718</b>	<b>5 843 353</b>	<b>5 349 068</b>	<b>78 478 138</b>
Additions	+	-	39 689	7 338 952	7 378 641
Disposals / Retirements	-	(6 657 615)	(12 393)	-	(6 670 008)
Transfers between headings	+/-	7 252 457	-	(7 252 457)	0
<b>Gross carrying amounts 31.12.2019</b>		<b>67 880 559</b>	<b>5 870 648</b>	<b>5 435 563</b>	<b>79 186 771</b>
<b>Accumulated amortisation and impairment 01.01.2019</b>	-	<b>(44 408 307)</b>	<b>(5 691 373)</b>	-	<b>(50 099 680)</b>
Amortisation	-	(11 838 074)	(81 163)	-	(11 919 237)
Disposals / Retirements		6 657 615	12 393	-	6 670 008
Write-off / Impairment		(630 496)	-	-	(630 496)
<b>Accumulated amortisation and impairment 31.12.2019</b>		<b>(50 219 262)</b>	<b>(5 760 143)</b>	-	<b>(55 979 405)</b>
<b>Net carrying amounts 31.12.2019</b>		<b>17 661 296</b>	<b>110 506</b>	<b>5 435 563</b>	<b>23 207 365</b>

All projects relating to internally developed IT tools that were either on-going or put into operation in 2019 were analysed. The main costs of development relate to external consultancy as well as to ECHA employee salary costs. Employee salary costs directly related to software development for 2019 amounted to EUR 2 082 257 (EUR 1 826 244 in 2018).

During 2019, twenty-two (22) internal IT projects fulfilled the criteria for asset recognition, ten (10) of which commenced prior to 01 January 2019. The costs relating to twelve (12) of these projects are recognised as intangible assets under construction as at 31 December 2019.

**Intangible Fixed Assets under development as at 31 December 2019:**

Project name	Cumulative Development Costs 31.12.2018	Development Costs 2019	Cumulative Development Costs 31.12.2019
SDAP v1	177 966	609 743	787 709
Chesar v3.5	0	323 701	323 701
PNC v3	0	27 940	27 940
ECHA Interact v2	0	730 645	730 645
EUCLEF	0	840 386	840 386
DMP v3.0-3.5	1 082 018	1 239 834	2 321 852
QSAR v4.4	0	187 345	187 345
R4BP v3.16	0	23 503	23 503
IUCLID v5.0	0	15 778	15 778
Chesar EUSES v4	0	7 354	7 354
ECHA Interact v3	0	4 341	4 341
EUON	165 008	0	165 008
<b>TOTAL</b>	<b>1 424 992</b>	<b>4 010 571</b>	<b>5 435 563</b>

The remaining ten (10) internally developed IT projects were taken into use during 2019. The total recognised cost of these completed assets amounted to EUR 7 252 457 (EUR 4 259 731 in 2018). These projects had development costs totalling EUR 3 924 076 recognised in "Intangible fixed assets under development" as at the 31 December 2018. In 2019, further costs of EUR 3 328 381 were incurred completing these developments, prior to being transferred to intangible assets. The total costs transferred from "under construction" to completed internally developed assets in 2019 amounts to EUR 7 252 457 (EUR 3 924 076 + EUR 3 328 381) as shown in the table below:

**Intangible Fixed Assets (IT Assets) completed in 2019:**

Project name	Cumulative Development Costs 31.12.2018	Development Costs 2019	Capitalised amount during 2019
Text Analytics	116 261	293 452	409 713
IUCLID v3.0-4.0	0	1 242 442	1 242 442
PNC v2	1 230 894	815 439	2 046 333
ECHA Interact v1	724 886	305 203	1 030 089
ECOMOD v2	0	250 831	250 831
ECHA Website	0	99 647	99 647
QSAR v4.3	558 526	8 840	567 367
FIMS v1	435 484	198 325	633 809
IMS v1.0-1.3	456 207	44 131	500 338
ELM	401 818	70 071	471 889
<b>TOTAL</b>	<b>3 924 076</b>	<b>3 328 381</b>	<b>7 252 457</b>

The value of research and development expenditure relating to internally developed IT projects, recognised as an expense during the period, was EUR 1 137 127 and EUR 49 172 respectively (EUR 1 464 059 and EUR 40 653 respectively during 2018).

**Tangible fixed assets**

The tangible fixed assets are mainly computer hardware, furniture, vehicles and other fixtures and fittings.

Effectively January 2020, the Agency moved to a new building. As a result, during late 2019, fixed assets that were already old or could not be moved to the new building were retired. Assets were disposed / retired by various means, including sales through public auction, scrapped via a waste management contract or left in the old building. The original gross carrying value of the tangible fixed assets retired during 2019 amounted to EUR 17 376 989 while those assets were already almost fully depreciated and their net carrying amount was only EUR 45 612 for certain computer hardware and EUR 89 539 for the the improvement costs incurred on the conference centre and two parts of the old building.

<b>Tangible fixed assets</b>		<b>Computer hardware</b>	<b>Furniture and Other Fixtures / Fittings</b>	<b>Assets under Finance Lease</b>	<b>Total</b>
<b>Gross carrying amounts 01.01.2018</b>	+	<b>2 729 841</b>	<b>17 897 366</b>	-	<b>20 627 207</b>
Additions	+	129 279	32 521	33 395	<b>195 195</b>
Disposals	-	-	(68 529)	-	<b>(68 529)</b>
Other changes	+/-	32 174	(15 213)	-	<b>16 962</b>
<b>Gross carrying amounts 31.12.2018</b>		<b>2 891 294</b>	<b>17 846 146</b>	<b>33 395</b>	<b>20 770 835</b>
<b>Accumulated depreciation and impairment 01.01.2018</b>	-	<b>(1 931 383)</b>	<b>(14 610 770)</b>	-	<b>(16 542 153)</b>
Depreciation	-	(385 326)	(1 760 455)	(2 087)	<b>(2 147 868)</b>
Disposals	+	-	66 489	-	<b>66 489</b>
Impairment	-	-	(383 736)	-	<b>(383 736)</b>
Other changes	+/-	(33 182)	17 229	-	<b>(15 954)</b>
<b>Accumulated depreciation and impairment 31.12.2018</b>		<b>(2 349 891)</b>	<b>(16 671 244)</b>	<b>(2 087)</b>	<b>(19 023 222)</b>
<b>Net carrying amounts 31.12.2018</b>		<b>541 403</b>	<b>1 174 902</b>	<b>31 308</b>	<b>1 747 613</b>
<b>Gross carrying amounts 01.01.2019</b>	+	<b>2 891 294</b>	<b>17 846 146</b>	<b>33 395</b>	<b>20 770 835</b>
Additions	+	102 009	1 085 335	224 568	<b>1 411 912</b>
Disposals / Retirements	-	(1 329 769)	(16 047 220)	-	<b>(17 376 989)</b>
Other changes	+/-	-	-	-	-
<b>Gross carrying amounts 31.12.2019</b>		<b>1 663 534</b>	<b>2 884 261</b>	<b>257 963</b>	<b>4 805 758</b>
<b>Accumulated depreciation and impairment 01.01.2019</b>	-	<b>(2 349 891)</b>	<b>(16 671 244)</b>	<b>(2 087)</b>	<b>(19 023 222)</b>
Depreciation	-	(360 922)	(830 913)	(8 349)	<b>(1 200 183)</b>
Disposals / Retirements	+	1 329 791	16 047 198	-	<b>17 376 989</b>
Write-off / Impairment	-	(45 612)	(89 539)	-	<b>(135 151)</b>
Other changes	+/-	-	-	-	-
<b>Accumulated depreciation and impairment 31.12.2019</b>		<b>(1 426 633)</b>	<b>(1 544 498)</b>	<b>(10 436)</b>	<b>(2 981 567)</b>
<b>Net carrying amounts 31.12.2019</b>		<b>236 901</b>	<b>1 339 763</b>	<b>247 527</b>	<b>1 824 191</b>

It must be noted that an amount of EUR 5 600 was recovered through the public auction sale mainly relating to an X-ray machine and metal detection gates which had a zero net book value.

**2.1.2. Exchange receivables**

Details	31.12.2019	31.12.2018
REACH fee income receivables	3 542 637	2 932 194
Biocides fee income receivables	41 900	487 000
REACH fee bad debt provision	(1 210 375)	(1 354 002)
<b>Net fees &amp; charges receivables</b>	<b>2 374 163</b>	<b>2 065 192</b>
Accrued Income - Interentity recoveries	14 364	14 364
Accrued Income - REACH	10 762	9 376
<b>Accrued Income</b>	<b>25 126</b>	<b>23 740</b>
European School	679 648	632 218
Building Rent	-	515 843
Prepaid software maintenance fees & subscriptions	585 568	555 869
Deferred expenditure included in Accounts payable	88 129	193 962
<b>Deferred charges</b>	<b>1 353 345</b>	<b>1 897 892</b>
Staff	26 801	6 764
<b>Total sundry receivables</b>	<b>26 801</b>	<b>6 764</b>
<b>Total - Exchange receivables</b>	<b>3 779 435</b>	<b>3 993 588</b>

As mentioned in Section 2.4.2., only the REACH Administrative charges issued, as a result of the SME verification process, are subject to impairment review. The table below shows the movement of the impairment account (REACH fee bad debt provision) during the year:

Movement of Impairment Account (Exchange Receivables)	Note	EUR
<b>REACH fee bad debt provision 01.01.2018</b>		<b>(2 795 827)</b>
Used Provision due to Write-offs		749 145
Reversal of Unused Provision due to collections	2.2.1	746 123
Reversal of Unused Provision due to cancellations		212 831
New Provision		(266 274)
<b>REACH fee bad debt provision 31.12.2018</b>		<b>(1 354 002)</b>
Reversal of Unused Provision due to collections	2.2.1	273 568
Reversal of Unused Provision due to cancellations		38 993
New Provision		(168 934)
<b>REACH fee bad debt provision 31.12.2019</b>		<b>(1 210 375)</b>

REACH fee income receivable as at 31 December 2019 includes an amount of EUR 2 075 358 relating to administrative charges arising from the SME verification work (EUR 1 990 211 as at 31 December 2018) against which a provision for bad debt amounting to EUR 1 210 375 has been recorded (EUR 1 354 002 as at 31 December 2018).

During 2018 and 2019, the Agency intensified its efforts on collecting the long outstanding administrative charges. In particular, 24 new contracts for pre-litigation actions with three law firms were signed, covering ECHA claims in 24 Member States. Based on a detailed case by case analysis, a total amount of EUR 749 145 relating to 43 invoices of overdue outstanding administrative charges have been written off against the already recorded provision for bad debts in 2018, mainly relating to cases where the companies have ceased to exist (companies bankrupt, liquidated, dormant, insolvent, inactive, dissolved, etc). Furthermore, based on the efforts, a total amount of EUR 870 401 of overdue administrative charge invoices had been collected and, as a result, EUR 746 123 of the recorded provision had been reversed to income in 2018. Similarly, the efforts continued during 2019 and an amount of EUR 332 989 of overdue administrative charge was further collected resulting in additional EUR 273 568 of the recorded provision to be reversed to income during the year.

### 2.1.3. Non-Exchange receivables

Non-exchange receivables	31.12.2019	31.12.2018
VAT receivable from Finnish authorities	852 043	985 840
Miscellaneous	133 163	154 004
<b>Total - Non-exchange receivables</b>	<b>985 206</b>	<b>1 139 844</b>

Non-exchange receivables relate to value added tax (VAT) recoverable from the Finnish Authorities. According to the Seat Agreement signed between the Government of Finland and the Agency, the latter can file an application for reimbursement of VAT paid on purchases in Finland, if the invoice value is greater than EUR 80 including VAT.

The miscellaneous non-exchange receivables include EUR 84 288 contribution from Swiss Confederation under the Biocidal Products Regulation as well as EUR 48 875 recoveries of litigation costs. The majority of the non-exchange receivables has been cashed in early 2020.

### 2.1.4. Cash and Cash equivalents

Bank account name	31.12.2019	31.12.2018
Pohjola Admin Ac	-	13 482 553
Pohjola REACH Ac	-	2 464 820
Pohjola Biocide Ac	-	1 515 001
Pohjola PIC Ac	-	210 309
Pohjola Appeal Ac	-	176 922
Pohjola Delegated Tasks Ac	-	2 075 453
Pohjola IPA Ac	-	102 899
Nordea Current Ac	5 874	5 989
ING Belgium Admin Ac	7 896 011	-
ING Belgium REACH Ac	3 253 004	-
ING Belgium Biocide Ac	3 515 415	-
ING Belgium PIC Ac	533 616	-
ING Belgium Appeal Ac	282 273	-
ING Belgium Delegated Tasks	3 303 870	-
ING Belgium IPA Ac	420 893	-
<b>Total - Current accounts</b>	<b>19 210 956</b>	<b>20 033 946</b>

During 2019, ECHA changed its principal bank from OP Corporate Bank plc to ING Belgium NV. The amount held on current accounts as at 31 December 2019 totals EUR 19 210 956.

**2.1.5. Current pre-financing open**

<b>Pre-financing</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Contracts	21 155	16 491
<i>Less accrued charges - contracts</i>	<i>(56 413)</i>	<i>(28 859)</i>
<b>Contracts - Outstanding pre-financing</b>	<b>(35 258)</b>	<b>(12 368)</b>
Translations	63 604	154 326
<i>Less accrued charges - translations</i>	<i>(51 878)</i>	<i>(77 949)</i>
<b>Translations - Outstanding pre-financing</b>	<b>11 726</b>	<b>76 376</b>
<b>Total Pre-financing receivable at year end</b>	<b>11 726</b>	<b>76 376</b>
<b>Total Pre-financing net in accrued payables at year end</b>	<b>(35 258)</b>	<b>(12 368)</b>

The pre-financing given in the year and not consumed by payments on invoices is consumed by accrued charges recorded for the services ordered.

**2.1.6. Long and short-term Provisions for risks and charges**

<b>Provisions</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Long-term provisions - legal	96 000	126 645
Short-term provisions	-	-
<b>Total - Provisions</b>	<b>96 000</b>	<b>126 645</b>

<b>Movement of Provisions</b>	<b>Note</b>	<b>EUR</b>
<b>Provisions 01.01.2018</b>		<b>87 500</b>
Reversal of Unused Provision	2.2.1	(24 449)
New Provision for Legal Cases		78 645
Used Provision		(15 051)
<b>Provisions 31.12.2018</b>		<b>126 645</b>
Reversal of Unused Provision	2.2.1	(76 645)
New Provision for Legal Cases		60 000
Used Provision		(14 000)
<b>Provisions 31.12.2019</b>		<b>96 000</b>

**2.1.7. Current payables**

<b>Current payables</b>	<b>Note</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Supplier invoices received		400 213	1 457 635
Current payable to EU consolidated entities		374 567	-
<b>Total Accounts Payable</b>		<b>774 780</b>	<b>1 457 635</b>
Appeal fees received		282 273	169 747
Fee refunds due		389 062	233 090
Other payables - staff		2 644	3 207
<b>Total Sundry Payable</b>		<b>673 979</b>	<b>406 044</b>
Pre-financing received from EU consolidated entities	2.1.10	4 093 703	5 771 826
Pre-financing Confederation of Switzerland	2.1.10	4 625	21 083
<b>Pre-financing open Commission and others</b>	2.1.10	<b>4 098 328</b>	<b>5 792 909</b>
<b>Total - Current payables</b>		<b>5 547 086</b>	<b>7 656 588</b>

The sundry payables relating to appeal fees of EUR 282 273 (EUR 169 747 in 2018) are recognised as Accounts Payable until the cases are decided upon by the Board of Appeal. The Agency will have to refund the appeal fee in cases where the appeal is decided in the applicant's favour or will recognise the appeal fee as income, of the Agency, where the Board of Appeal concludes in ECHA's favour.

**2.1.8. Deferred revenue**

<b>Deferred Income</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
REACH Authorisation fees & charges	2 462 362	43 280
BPR fees & charges	19 835 341	13 004 812
Deferred Revenue from SLA with EFSA	516 071	-
<b>Total - Deferred income</b>	<b>22 813 774</b>	<b>13 048 092</b>

The deferrals recorded at the year-end relate to REACH Authorisation and Biocidal Product fees and charges cashed in the periods 2015 to 2019 (for REACH Authorisations all deferrals as at 31 December 2019 related to fees cashed in 2019 only) for which the Agency still has to complete a portion of the work in respect of the applications. This work will be performed from 2020 onwards.

Furthermore, during September 2019, the Agency signed an SLA with the European Food Safety Authority (EFSA) for the provision of IUCLID-as-a-Service for Pesticides and collected an amount of EUR 784 428. The total duration of the contract is 10 months as from 19.09.2019. As at 31.12.2019 an amount of EUR 268 357 has been recognised as income for services rendered during 2019 and an amount of EUR 516 071 has been recognised as deferred revenue relating to services to be rendered in 2020.

**2.1.9. Accrued liabilities**

The accrued liabilities are the amounts estimated by the Authorising Officer, based on relevant commitments already established, in respect of the cost incurred for services and goods delivered but not yet invoiced on or before 31 December 2019. The accrued liabilities, including EU consolidated entities, as at 31 December 2019 amount to EUR 8 602 786 (EUR 8 598 351 plus EUR 4 435) and are further analysed per category in the following table.

<b>Accrued liabilities type</b>	<b>2019</b>	<b>2019 with EU consolidated entities</b>	<b>2018</b>	<b>2018 with EU consolidated entities</b>
<b>Administrative expenses</b>				
Staff related expenses	66 371		84 104	
Untaken leave by staff	1 682 993		1 464 606	
Recruitment related expenses	2 339		-	
Annual Medical	9 306		15 253	
Missions	13 328		7 399	
Training	38 249	1 450	40 907	7 473
Building costs	486 015		223 480	
Other	91 577		70 067	
<b>Total - Administrative expenses</b>	<b>2 390 179</b>	<b>1 450</b>	<b>1 905 815</b>	<b>7 473</b>
<b>Operational expenses</b>				
Management Board & Committee meetings / Workshops	33 941		53 216	
Operational missions	50 854		64 379	
IT related	4 422 270		3 340 263	
Substance evaluation	484 443		280 075	
Other	622 189	2 985	282 444	35 209
<b>Total - Operational expenses</b>	<b>5 613 698</b>	<b>2 985</b>	<b>4 020 378</b>	<b>35 209</b>
<b>Other</b>				
Financial expenses	200		300	
Interim Staff	181 478		174 759	
Accruals relating to fixed assets	412 796		27 921	
<b>Total - Other</b>	<b>594 474</b>		<b>202 979</b>	<b>-</b>
<b>Total - Accrued liabilities</b>	<b>8 598 351</b>	<b>4 435</b>	<b>6 129 172</b>	<b>42 682</b>



**2.1.10. Pre-Financing liability**

<b>Pre-financing liability - consolidated entities and Switzerland</b>	<b>Note</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
EU subsidy		62 888 415	30 347 121
EU subsidy consumed in the year	2.2.1	(61 410 817)	(26 756 577)
EFTA contribution		1 509 662	653 625
EFTA contribution consumed in the year	2.2.1	(1 473 398)	(592 488)
<b>EU Subsidy incl. EFTA repayable</b>		<b>1 513 862</b>	<b>3 651 681</b>
Switzerland contribution – Biocide		105 371	179 682
Switzerland contribution expended in the year	2.2.1	(100 746)	(158 599)
<b>Switzerland BPR contribution repayable</b>		<b>4 625</b>	<b>21 083</b>
EUON/EUCLEF open pre-financing at the beginning of the year		2 012 520	1 382 963
EUON/EUCLEF additional pre-financing received		1 692 500	1 600 000
EUON/EUCLEF total income recognised during the year	2.2.1	(1 511 590)	(970 442)
EUON/EUCLEF amount repaid during the year		(80 795)	-
<b>EUON/EUCLEF open pre-financing at year end</b>		<b>2 112 635</b>	<b>2 012 520</b>
IPA open pre-financing at the beginning of the year		107 626	207 798
IPA additional pre-financing received		450 000	-
IPA income recognised during the year	2.2.1	(202 550)	(100 173)
IPA amount repaid back during the year		(16 148)	-
<b>IPA open pre-financing at year end</b>		<b>338 927</b>	<b>107 625</b>
OELs pre-financing received during the year		240 000	-
OELs income recognised during the year		(111 721)	-
<b>OELs open pre-financing at year end</b>	2.2.1	<b>128 279</b>	-
<b>Total open-financing liability at year end</b>		<b>4 098 328</b>	<b>5 792 909</b>
<i>Pre-financing received from EU consolidated entities</i>		<i>4 093 703</i>	<i>5 771 826</i>
<i>Pre-financing Confederation of Switzerland</i>		<i>4 625</i>	<i>21 083</i>

During 2019, the Agency received EU subsidy of EUR 62 888 415 (EUR 30 347 121 in 2018) for the implementation of the REACH, Biocidal Products and PIC / POPs Regulations. The amounts received were EUR 58 346 000, EUR 2 978 415 and EUR 1 564 000 respectively (EUR 24 374 800, EUR 4 876 000 and EUR 1 096 321 respectively in 2018). As at 31.12.2019 an amount of EUR 1 477 598 in total of this money is repayable to the Commission within in 2020 (as at 31.12.2018 an amount of EUR 3 590 544 was repayable within 2019).

In addition, during 2019 under the REACH and Biocidal Products Regulation, the Agency received EUR 1 509 662 of EFTA contribution (EUR 653 625 in 2018). The amounts received were EUR 1 412 237 and EUR 97 425 for the two regulations respectively (EUR 609 612 and EUR 44 013 respectively in 2018). As at 31.12.2019 an amount of EUR 36 264 (EUR 61 137 in 2018) from this EFTA contribution is repayable by the Agency within 2020 (as at 31.12.2018 an amount of EUR 61 137 was repayable within 2019).

Finally Switzerland's contribution under the Biocidal Products Regulation during 2019 amounts to EUR 105 371 (EUR 179 682 in 2018). The amount repayable as at 31.12.2019 of EUR 4 625, is expected to be offset against the 2020 contribution (the amount repayable as at 31.12.2018 which was offset against the 2019 contribution was EUR 21 083).

The Agency had signed delegation agreements with DG GROW in respect of implementing the tasks under the European Union Observatory for Nanomaterials (EUON) and the European Union Chemical Legislation Finder (EUCLEF). By 31.12.2017 ECHA had a relevant open pre-financing received amounting to EUR 1 382 963. During 2018 two additional transfer of funds agreements for EUON and EUCLEF were signed, receiving EUR 600 000 and EUR 1 000 000 respectively. The total expenditure incurred under EUON and EUCLEF agreements during 2018 amounted to EUR

970 442 (with an equal amount of the pre-financing recognised as income) and the relevant open pre-financing as at 31.12.2018 stood at EUR 2 012 520. During 2019, the Agency incurred further total expenditure of EUR 1 511 590 for implementing EUON and EUCLEF (with an equal amount of pre-financing recognised as income) and repaid the open pre-financing of EUR 80 795 relating to funds received before 2018. Furthermore, the Agency signed two additional transfer of funds agreements for EUON and EUCLEF, receiving EUR 600 000 and EUR 1 092 500 respectively and thus the relevant open pre-financing as at 31.12.2019 was EUR 2 112 635.

Under the IPA programme (Instrument for pre-accession assistance) a total pre-financing of EUR 207 798 was open as at 31.12.2017 relating to IPA funds received in 2015 and 2017 from DG NEAR. During 2018 the program of 2015 was completed incurring EUR 11 650 expenditure while an expenditure of EUR 88 523 was incurred for the 2017 program. As a result, a total of EUR 100 173 was recognised as income during 2018 and the open pre-financing as at 31.12.2018 stood at EUR 16 148 for the 2015 IPA funds and EUR 91 477 for the 2017 IPA funds. During 2019 the amount of EUR 16 148 of 2015 IPA was repaid and additional pre-financing of EUR 450 000 was collected based on a new Contribution Agreement with DG NEAR. A total expenditure of EUR 202 550 was incurred (with an equal amount of pre-financing recognised as income) and thus the relevant open pre-financing as at 31.12.2019 was EUR 338 927.

Finally, during 2019 the Agency signed a Contribution Agreement with DG EMPL for the provision of certain scientific opinions with respect to occupational exposure limits (OELs) for an amount of EUR 240 000. A total expenditure of EUR 111 721 was incurred (with an equal amount of pre-financing recognised as income) and thus the relevant open pre-financing as at 31.12.2019 stood at EUR 128 279.

## 2.2. Notes to the statement of financial performance

### 2.2.1. Revenue

The Agency executes its REACH fee income in accordance with the Regulation (EC) No 1907/2006 (the "REACH Regulation") and the Commission Regulation No 340/2008 on the fees and charges payable to the European Chemicals Agency (the "Fee Regulation"). The CLP income is executed in accordance with Regulation (EC) No 1272/2008 of the European Parliament and Council. The Agency commenced invoicing of applicants under the Biocidal Products Regulation (EU) No 528/2012 as from 01 September 2013.

In the table below, the Revenue for the year is split between Exchange and Non-Exchange revenue in line with EU Accounting Rules No 4 and 17 respectively.

Revenue	Note	2019	2018
<u>Non-exchange revenue</u>			
EU subsidy	2.1.10	61 410 817	26 756 577
EFTA contribution	2.1.10	1 473 398	592 488
Federation of Switzerland Contribution	2.1.10	100 746	158 599
Revenue with consolidated entities (IPA, EUON, EUCLEF)	2.1.10	1 825 861	1 070 615
Reversal of provisions related to legal cases	2.1.6	76 645	24 449
Miscellaneous administrative revenue		190 138	156 190
<b>Total - Non-exchange revenue</b>		<b>65 077 606</b>	<b>28 758 918</b>
<u>Exchange revenue</u>			
<b>a) Fee income</b>			
REACH fee income		32 832 196	80 704 079
Biocide fee income		2 331 309	4 572 125
Appeal Fees income		42 966	27 504
Reversal of REACH Administrative charge bad debt provision due to collections	2.1.2	273 568	746 123
<b>b) Other revenue</b>			
Inter-entity recoveries (GNSS & EFSA)		51 003	28 728
Revenue from SLA with EFSA	2.1.8	268 357	-
Profit from sale of fixed Assets	2.1.1	5 600	37 015
<b>c) Financial revenue</b>			
Bank interest		-	-
FX gains		504	6 006
<b>Total - Exchange revenue</b>		<b>35 805 504</b>	<b>86 121 580</b>
<b>Total - Revenue</b>		<b>100 883 109</b>	<b>114 880 499</b>

Fees and charges income is recognised as revenue in the accounts when the service is rendered, except in the case of REACH SME verification income (see section 2.7). The service is considered to be rendered, by ECHA, when the company submits a request for registration or submits a notification. An invoice is created and sent to the company normally within two (2) working days. Every submission undergoes a technical and financial completeness check during a period set by the relevant regulations. If a submission is technically or financially incomplete (e.g. not "paid in full") by the relevant deadline, the registrant is informed that the submission has been rejected. If the rejection stems from the absence of the payment, the related open invoice is set to the status "unpaid". Consequently the rejection reduces the recognised revenue. In preparation for the final accounts 2019, all known rejections were taken into account.

A deferral for fee income upon which the work will be performed in 2020 and onwards has been provided in the accounts. Details of the deferred amounts are shown in the Note 2.1.8.

**2.2.2. Expenses**

<b>Administrative expenses</b>	<b>2019</b>	<b>2018</b>	<b>change%</b>
Staff related expenses	62 905 567	67 186 632	-6%
Seconded National Experts expenses	310 569	620 233	-50%
<b>Administrative expenses - Staff</b>	<b>63 216 136</b>	<b>67 806 865</b>	<b>-7%</b>
Depreciation/Amortisation	13 119 420	14 774 679	-11%
Tangible Fixed Assets Impairment	135 151	383 736	-65%
Intangible Fixed Assets Impairment	630 496	-	-
<b>Administrative expenses – Fixed Assets related</b>	<b>13 885 067</b>	<b>15 158 415</b>	<b>-8%</b>
Recruitment related expenses	226 812	144 359	57%
Interim staff	2 950 424	4 631 766	-36%
European School Helsinki	1 312 103	1 200 578	9%
Annual medical	424 364	438 319	-3%
Missions	122 285	187 803	-35%
Training	553 920	617 113	-10%
Rent	6 190 116	6 101 389	1%
Building related costs	2 576 906	1 677 052	54%
Other	1 453 084	1 546 293	-6%
<b>Administrative expenses - Other</b>	<b>15 810 013</b>	<b>16 544 672</b>	<b>-4%</b>
<b>Operational expenses</b>	<b>2019</b>	<b>2018</b>	<b>change%</b>
Management Board meetings	153 887	144 944	6%
Committee meetings and workshops	2 180 488	1 956 532	11%
Operational missions	554 441	633 889	-13%
Translations	1 697 320	1 354 144	25%
IT operational costs	16 641 080	14 926 808	11%
Substance Evaluation	854 546	348 115	145%
Other	2 506 293	1 843 789	36%
<b>Operational expenses</b>	<b>24 588 056</b>	<b>21 208 221</b>	<b>16%</b>
<b>Financial expenses</b>	<b>2019</b>	<b>2018</b>	<b>change%</b>
Bank charges and Other financial cost	75	161	-53%
FX losses	4 615	10 135	-54%
<b>Total - Financial expenses</b>	<b>4 691</b>	<b>10 296</b>	<b>-54%</b>
<b>Total - Expenses</b>	<b>117 503 961</b>	<b>120 728 469</b>	<b>-3%</b>

Overall, the expenditure incurred for 2019 decreased by 3% (approx. EUR 3.2 million) compared to 2018. The bulk of the monetary decrease concerns Staff related expenses for approx. EUR 4.6 million as well as Interim staff related expenditure for approx. EUR 1.7 million. This is mainly attributable to the employer's pension contribution (approx. EUR 4.3 million decrease), arising from the fact that the Agency's pension contribution payable to the Commission is based on a coefficient relating to the proportion of the Agency's financing by own fees (this coefficient was 34% for REACH during 2019 compared to 69% during 2018). The decrease further relates to the additional interim staff contracted by the Agency in previous years in expectation of the increased workload for the third and final REACH registration deadline in May 2018. The above was partially offset by an increase of EUR 0.9 million in the building related expenditure, directly attributable to the move to the new building and by a EUR 1.7 million in IT operational expenditure.

### 2.3. Off balance sheet items

Contingent assets and liabilities are off balance sheet items. It is uncertain whether they may occur in the future and are dependent on the future outcome of past events.

The Agency had contingent assets totalling EUR 283 400 as at 31 December 2019 (EUR 135 000 in 2018). This relates to performance guarantees provided by contractors.

**Commitments for future funding** are also off balance sheet items and specified as follows:

<b>Category</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Commitments against appropriations not yet consumed (RAL)	10 086 240	10 301 012
Operating lease (Building)	58 186 913	65 347 942
Contractual commitments for which budget commitments have not yet been made (maintenance, IT, cleaning, security)	10 750 574	4 866 176
Contingent liabilities (legal cases)	250 000	360 000
<b>Total</b>	<b>79 273 727</b>	<b>80 875 130</b>

Commitments against appropriations not yet consumed is the remaining net amount to be paid (RAL) after deducting eligible expenses (cut-off postings) that have already been booked in the statement of financial performance.

Operating Lease (Building) includes the contractual monthly lease payments for the new building (expected during the years 2020 – 2029). The new building future rental payments in the table have been adjusted for the amount of certain change requests agreed between the Agency and the building constructor, amounting to EUR 127 718 which are expected to be cashed in by the agency during 2020). It should be noted that this amount has not been concluded yet and may be slightly change during 2020.

The contingent liabilities consist of nine (9) on-going legal cases (twelve as at 31.12.2018) estimated at a total amount of EUR 250 000 (EUR 360 000 as at 31.12.2018). This contingent liability covers the possible costs of the complainants, which is dependent on the future outcome of the individual cases.

## 2.4. Financial assets and liabilities

In line with Accounting rule No 11 additional disclosures are provided below:

### 2.4.1. Financial assets credit ratings

Details	Note	31.12.2019			31.12.2018		
		Credit rating	Rating Agency	EUR	Credit rating	Rating Agency	EUR
Bank accounts /OP Corporate Bank	2.1.5	-	-	-	A-1+	S&P	20 027 957
Bank accounts / Nordea	2.1.5	A-1+	S&P	5 874	A-1+	S&P	5 989
Bank accounts / ING Belgium	2.1.5	A-1	S&P	19 205 082	-	-	-
<b>Cash and Cash equivalents</b>				<b>19 210 956</b>			<b>20 033 946</b>

The Agency had no excess cash or cash reserves available for investment in 2019 and 2018.

### 2.4.2. Credit Risk analysis

Credit quality of financial assets that are neither past due nor impaired	Total	Receivables with Member States and third Countries	All receivables with third parties (including accruals & deferrals)	Receivables with EU consolidated entities (including accruals & deferrals)	Bank accounts
Prime and high grade	20 863 084	936 331	-	715 797	19 210 956
Unrated - Debtors who have never defaulted	3 124 239	-	3 124 239	-	-
<b>As at 31 December 2019</b>	<b>23 987 323</b>	<b>936 331</b>	<b>3 124 239</b>	<b>715 797</b>	<b>19 210 956</b>
Prime and high grade	21 891 106	1 124 144	-	733 017	20 033 946
Unrated - Debtors who have never defaulted	3 352 648	-	3 352 648	-	-
<b>As at 31 December 2018</b>	<b>25 243 75</b>	<b>1 124 144</b>	<b>3 352 648</b>	<b>733 017</b>	<b>20 033 946</b>

Included in "all receivables with third parties" are the receivables in relation to REACH and Biocidal Products Regulation fees and charges. Under these regulations, if fees are not paid by the due dates, the invoice is cancelled and the applicant's submission is not accepted, e.g. the applicant will not receive a registration number. However, under the REACH SME verification process, the administrative charge for incorrect company size declarations will not be cancelled if the due date expires. These invoices remain outstanding and, as a consequence, a bad debt provision has been provided in the accounts (see Note 2.1.2).

### 2.4.3. Remaining maturities of liabilities

Maturities of liabilities 31.12.2019	< 1 year	1 - 5 years	> 5 years	Total
Payables with third parties	1 078 816	-	-	1 078 816
Payables (consolidated entities)	4 468 270	-	-	4 468 270
Accrued Liabilities with third parties	8 598 351	-	-	8 598 351
Accrued Liabilities (consolidated entities)	4 435	-	-	4 435
Finance Lease Liabilities	85 986	158 066	-	244 052
<b>Total - Liabilities</b>	<b>14 235 858</b>	<b>158 066</b>	<b>-</b>	<b>14 393 924</b>

<b>Maturities of liabilities 31.12.2018</b>	<b>&lt; 1 year</b>	<b>1 - 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Payables with third parties	1 884 762	-	-	1 884 762
Payables (consolidated entities)	5 771 826	-	-	5 771 826
Accrued Liabilities with third parties	6 129 172	-	-	6 129 172
Accrued Liabilities (consolidated entities)	42 682	-	-	42 682
Finance Lease Liabilities	11 130	19 483	-	30 614
<b>Total - Liabilities</b>	<b>13 839 572</b>	<b>19 483</b>	<b>-</b>	<b>13 859 055</b>

The main outstanding contractual liabilities at the year-end mainly relate to supplier invoices of EUR 774 780 received and recorded in the financial system as at 31 December 2019 (EUR 1 457 635 as at 31 December 2018), as well as the Budget outturn for the year returnable to the Commission (incl. EFTA) plus other open pre-financing of EUR 4 093 703 (EUR 5 771 826 as at 31 December 2018). See Note 2.1.7.

In addition, all accrued liabilities recorded as at 31 December 2019 are expected to be finally settled within 2020. As at 31 December 2019, there are also financial lease liabilities outstanding for the acquisition of certain audio visual equipment, with a contractual maturity up to the end of 2022, and a total carrying amount of EUR 244 052, out of which 85 986 is expected to be settled during 2020.

#### **2.4.4. Analysis of foreign currency exposure**

The Agency does not have any significant exposure to foreign currency risk in respect to its monetary assets or liabilities.

#### **2.5. Related party disclosures**

The highest staff grade of the Agency in 2019 was AD14 (Executive Director-Authorising Officer, Deputy Executive Director as well as three other Directors).

#### **2.6. Events after the balance sheet date**

**BREXIT:** At 31 January 2020 Brexit materialised. A deal has been agreed between the UK and the EU according to the terms of the Withdrawal Agreement. Brexit has not raised and is not expected to raise any concerns on the going concern basis for preparation or to any other figures reported in these annual accounts.

**COVID-19:** During the first half of 2020, the coronavirus outbreak has had huge impacts on the EU economy. As a non-adjusting event, the outbreak of the coronavirus does not require any adjustments to the figures reported in these annual accounts. For subsequent reporting periods, COVID-19 may affect the recognition and measurement of some assets and liabilities on the balance sheet and/or some revenue and expenses recognised in the statement of financial performance. Based on the information available at the date of signature of these annual accounts, the potential financial effects of the coronavirus outbreak going forward cannot be reliably estimated.

Other than the aforementioned items, at the date of signature of these annual accounts, no material issues were reported that would require separate disclosure under this section. The annual accounts and related notes were prepared using the most recently available information.

## 2.7. Accounting principles, rules and methods

### Accounting principles

The Final annual accounts of the Agency have been prepared in accordance with Title IX of the Agency's Financial Regulation, which complies with Title IX of the Framework Financial Regulation ('FFR')<sup>2</sup> as well as in accordance with and the rules adopted by the EU Commission's Accounting Officer, as are to be applied by all the institutions and union bodies. In particular, in accordance EU Accounting Rule 1 the annual accounts have been prepared under the following principles:

- Fair presentation;
- Accrual basis accounting;
- Going concern basis;
- Consistency of Presentation;
- Comparability of information;
- Materiality and Aggregation;
- No Offsetting
- Comparative Information;
- Understandability;
- Relevance;
- Reliability;
- Comparability;

The accounting system of ECHA comprises of general accounts and budget accounts. These are maintained in EUR and run from 01 January to 31 December.

### Comparative Information

During 2019 all Interim Staff expenditure has been classified under Administrative expenses irrespective of the function where staff is allocated, similar as for all Staff expenses. This is in line with the 2019 Voted Budget where Interim Staff expenditure has been inscribed under Title 1 (Staff). For comparability purposes, 2018 figures have been reclassified and all Interim Staff expenditure is presented under Administrative expenditure as well. Please refer to Note 2.2.2.

### Transactions and balances in foreign currency

Foreign currency transactions are converted into EUR using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance.

### Use of estimates

In accordance with generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions made by management. Significant estimates include, but are not limited to, accrued income and charges, provisions, contingent assets and liabilities. The actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

### Receivables

Receivables are carried at original invoice amounts less any write-down for impairment. A write-down for impairment of receivables is established when there is objective evidence that the Agency will not be able to collect all amounts due according to the original terms of the receivables. A provision has been provided on a case by case basis where applicable (Note 2.1.2)

### REACH SME Verification Income

The Agency levies fees and charges related to the REACH Regulation based on self-declaration of enterprise. In accordance with Article 13(3) of the REACH fees and charges Regulation, "The Agency may request, at any time, evidence that the conditions for a reduction of fees or charges or for a fee waiver apply". Consequently, the Agency is permitted to interrogate the information submitted by enterprises and following verification adjust the fees and charges invoiced for any errors identified. When errors are identified these are accounted for as revenue at the time when invoiced.

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<sup>2</sup> COMMISSION DELEGATED REGULATION (EU) 2019/715 of 18 December 2018 on the framework financial regulation for the bodies set up under the TFEU and Euratom Treaty and referred to in Article 70 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council.



### 3. REPORTS ON THE IMPLEMENTATION OF THE BUDGET

#### 3.1. Budget Outturn Account (amounts in EUR)

Budget Outturn Account		2019	2018
<b>REVENUE</b>			
EU subsidy	+	64 503 448	31 180 428
Other contributions from Commission (EUON/EUCLEF, IPA, etc)	+	3 166 928	1 600 000
Fee income	+	44 385 256	87 975 256
Other revenue	+	228 318	211 625
<b>TOTAL - REVENUE (a)</b>		<b>112 283 950</b>	<b>120 967 308</b>
<b>EXPENDITURE</b>			
<i>Title I: Staff</i>			
Payments	-	70 125 431	73 712 495
Appropriations carried over	-	389 286	271 740
<i>Title II: Administrative Expenses</i>			
Payments	-	12 822 375	12 777 715
Appropriations carried over	-	4 553 591	4 014 693
<i>Title III: Operating Expenditure</i>			
Payments	-	12 408 759	15 393 706
Appropriations carried over	-	13 148 737	13 164 813
<b>TOTAL - EXPENDITURE (b)</b>		<b>113 448 180</b>	<b>119 335 162</b>
<b>OUTTURN FOR THE FINANCIAL YEAR (a-b)</b>		<b>(1 164 230)</b>	<b>1 632 146</b>
Cancellation of unused payment appropriations carried over from previous year	+	307 203	279 265
Adjustment for carry-over from the previous year of appropriation available at 31.12. arising from assigned revenue	+	2 379 531	1 764 451
Exchange differences for the year (gain +/-loss -)	+/-	(4 018)	(3 099)
<b>BALANCE OF THE OUTTURN ACCOUNT FOR THE FINANCIAL YEAR</b>		<b>1 518 487</b>	<b>3 672 763</b>
Balance year N-1	+/-	3 672 763	5 674 641
Subsidy and contributions from year N-1 reimbursed in year N	-	(3 672 763)	(5 674 641)
<b>BUDGET OUTTURN</b>		<b>1 518 487</b>	<b>3 672 763</b>
EU subsidy - agency registers accrued revenue and EU accrued expense		<b>62 984 961</b>	<b>27 507 664</b>
EU pre-financing to be reimbursed to the Commission		<b>1 513 862</b>	<b>3 651 680</b>
Pre-financing to be reimbursed to the Swiss Confederation		<b>4 625</b>	<b>21 083</b>

The detailed budget execution is set out in Section 3.3.3.

### 3.2. Reconciliation of Economic Result and Budgetary Outturn

The Agency's financial statements are prepared on an accruals basis (in accordance with Accounting Rules adopted by the EU Commission's Accounting Officer) by which transactions are recorded in the period to which they relate. The result for the year using this basis is indicated in the Statement of Financial Performance (section 1.2). However, the Agency uses a modified cash basis of accounting for preparing the Budget Outturn account (section 3.1). In this system, only the payments made, the revenues received in the period plus the carry-over of appropriations are recorded (in accordance with the Agency's financial regulation). The difference between the budgetary outturn and the Statement of Financial Performance is explained as follows:

Reconciliation of the accrual based result with the budget result		2019
<b>ECONOMIC RESULT OF THE YEAR</b>		<b>(16 620 852)</b>
<b><i>Adjustment for items <u>not</u> in the budgetary result but included in the economic result</i></b>		
Accrual cut-off / accrued & deferred expenses (reversal cut-off 31.12.2018)	-	(4 273 961)
Accrual cut-off / accrued & deferred expenses (cut- off 31.12.2019)	+	7 249 440
Amount from liaison account with Commission booked in the economic revenue	-	(62 884 215)
Switzerland Contribution booked in the economic revenue	-	(100 746)
Unpaid invoices at year end but booked in charges	+	763 108
Depreciation/Amortisation of intangible and tangible assets	+	13 119 420
Provisions (impact for the year - income / + expense)	-/+	(174 272)
Value reductions (impairments)	+	765 647
Recovery Orders issued and not yet cashed	-	(2 399 289)
Pre-financing given in previous year and cleared in the year	+	76 376
Pre-financing received in previous year and cleared in the year	-	(1 825 861)
Payments made from carry over of payment appropriations	+	14 764 511
<b><i>Adjustment for items included in the budgetary result but <u>not</u> in the economic result</i></b>		
Asset acquisitions (less amounts not paid)	-	(8 377 757)
New pre-financing paid in the year and remaining open as at 31.12.2019	-	(11 726)
New pre-financing received in the year and remaining open as at 31.12.2019	+	2 579 842
Budgetary recovery orders issued before 2019 and cashed in the year	+	15 700
Budgetary recovery orders issued in 2019 on balance sheet accounts	+	9 765 682
Commission subsidy included in budget	+	64 503 448
Capital payments on financial leasing	-	(11 129)
Payment appropriations carried over to 2020	-	(18 091 614)
Cancellation of unused carried over payment appropriations from previous year	+	307 203
Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue	+	2 379 531
<b>Total of adjustments above</b>		<b>1 518 487</b>
<b>BUDGETARY RESULT OF THE YEAR (BUDGET OUTTURN)</b>		<b>1 518 487</b>
<b><i>Delta not explained</i></b>		<b>-</b>

### 3.3. Budget and Financial Management 2019

#### 3.3.1. Budget Overview

The initial total budgetary payment appropriations for the expenditure of 2019, as concluded by the Management Board in December 2018, amounted to EUR 117 million, while the final total figure concluded in the 3rd Amending Budget in December 2019, amounted to EUR 112 million. There were two main reasons for the reduced budget. Firstly, following the reorganisation of the Agency and the related transition phase, ECHA's overall vacancy rate was, on average, higher than in previous years. The staff turnover rate in 2019 was also higher than expected, resulting in lower salary costs. Secondly, towards the end of 2019, it became apparent that the fee income was not developing as planned and the Agency had to find further savings to balance the budget.

Revenue	Initial voted budget	Amending budgets	Final voted budgeted
Total revenue	117 093 971	(5 124 659)	111 969 312
Expenditure	Initial voted budget	Amending budgets	Final voted budgeted
Commitment appropriations	118 291 550	(5 457 260)	112 834 290
Payment appropriations	117 093 971	(5 124 659)	111 969 312

#### 3.3.2. Revenue

The budget funding of ECHA in 2019 consisted of the following (amounts in EUR):

Description	Initial Budget 2019	Amending Budgets 2019	Final Budget 2019	Entitlements established 2019	Revenue received 2019
Fees and charges from Registrations	32 773 450	(4 700 000)	28 073 450	28 418 522	28 418 522
Fees and charges from Authorisations	3 600 000	1 500 000	5 100 000	5 047 530	5 047 530
Fees SME Administration	1 000 000	0	1 000 000	1 011 915	1 011 915
Fees and charges from CLP	168 000	43 000	211 000	215 000	215 000
Fees and charges from Appeals	0	47 641	47 641	47 641	47 641
<b>Total REACH Fee &amp; Charges Income (incl. Appeals)</b>	<b>37 541 450</b>	<b>(3 109 359)</b>	<b>34 432 091</b>	<b>34 740 608</b>	<b>34 740 608</b>
Fees relating to Biocidal Active Substances	1 610 000	(928 738)	681 262	726 600	726 600
Fees for Union Authorisation of Biocidal products	4 117 559	3 379 801	7 497 360	7 290 960	7 290 960
Miscellaneous fees	1 520 000	110 724	1 630 724	1 624 588	1 624 588
Fees and charges from Appeals	0	0	0	2 500	2 500
<b>Total BPR Fee &amp; Charges Income (incl. Appeals)</b>	<b>7 247 559</b>	<b>2 561 787</b>	<b>9 809 346</b>	<b>9 644 648</b>	<b>9 644 648</b>
REACH subsidy	62 879 520	(4 533 520)	58 346 000	58 346 000	58 346 000
BPR subsidy	5 122 104	(2 143 689)	2 978 415	2 978 415	2 978 415
PIC subsidy	1 564 000	0	1 564 000	1 564 000	1 564 000
EFTA Contribution - REACH	1 412 237	0	1 412 237	1 412 237	1 412 237
EFTA Contribution - BPR	97 425	0	97 425	97 425	97 425
Confederation of Switzerland Contribution - BPR	179 676	(74 306)	105 370	105 370	105 370
<b>Total EU Contributions</b>	<b>71 254 962</b>	<b>(6 751 515)</b>	<b>64 503 447</b>	<b>64 503 447</b>	<b>64 503 447</b>
Contribution Agreement EUON	600 000	0	600 000	600 000	600 000
Contribution Agreement EUCLEF	0	1 150 000	1 150 000	1 092 500	1 092 500
Contribution Agreement IPA	450 000	0	450 000	450 000	450 000
Contribution Agreement OELs	0	240 000	240 000	240 000	240 000
SLA with EFSA	0	784 428	784 428	784 428	784 428
<b>Total Contribution Agreements and SLAs</b>	<b>1 050 000</b>	<b>2 174 428</b>	<b>3 224 428</b>	<b>3 166 928</b>	<b>3 166 928</b>
<b>Total Other income - miscellaneous</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>277 194</b>	<b>228 318</b>
<b>Total</b>	<b>117 093 971</b>	<b>(5 124 659)</b>	<b>111 969 312</b>	<b>112 332 825</b>	<b>112 283 950</b>

## **REACH/CLP Revenue**

### **A) REACH/CLP Fees and Charges**

In accordance with the REACH Regulation (No 1907/2006), ECHA is financed through fees paid by industry and by an EU balancing subsidy. The fees and charges collected by ECHA are determined by the REACH Fee Regulation and by the decisions of the Management Board.

Due to the one-off nature of REACH fees and their dependence on strategic decisions of the chemical industry players, there is high uncertainty as to their amount and timing.

The budgetary revenue from REACH fees and charges in 2019 in terms of the cash received amounted to EUR 34.69 million (EUR 81.59 million in 2018). In addition, EUR 0.05 million (EUR 0.02 million in 2018) was recorded in relation to REACH appeal fees giving a total of fees and charges of EUR 34.74 million (EUR 81.61 million in 2018).

During 2019, ECHA cashed in a total of 8 704 REACH related invoices , compared to 28 290 invoices cashed in 2018 (the year of the final registration deadline), representing a decrease of almost 70 %. This marks the start of a new era for registration fee income, as no further registration deadlines are defined in the REACH legislation that would generate peaks in registration fee income.

In 2019, the Agency received payments for 88 REACH authorisation applications (6 in 2018). The total REACH authorisation income collected in 2019 amounts to EUR 5.05 million (EUR 0.61 million in 2018). The Agency received payments for 68 applications under the CLP Regulation. The total receipts in 2019 amount to EUR 0.22 million (EUR 0.14 million in 2018).

The additional registration fee income generated through the SME size verification process (included in the REACH registration income) amounted to EUR 0.70 million in 2019 (EUR 1.13 million in 2018). A total of 333 enterprises (414 in 2018) were verified for their company size during the year. On top of the additional registration fees, the Agency generated EUR 1.01 million in administrative charges (EUR 1.73 million in 2018) levied on companies who were not eligible for the already received rebate.

### **B) REACH/CLP Contributions:**

During 2019, the Agency received an EU subsidy for REACH/CLP of EUR 58.35 million (EUR 24.37 million in 2018) and an EFTA contribution of EUR 1.41 million (EUR 0.61 million in 2018).

## **BPR Revenue**

### **A) BPR Fees and Charges**

In accordance with the Regulation on Biocidal Products (BPR)(No 528/2012), ECHA is financed through fees paid by industry and a balancing EU subsidy. The fees collected for the BPR are defined by the regulation itself, the Fees and Charges Implementing Regulation (No 564/2013) and by decisions of the Agency's Management Board. The budgetary revenue from BPR fees and charges cashed in 2019 amounted to EUR 9.64 million (EUR 6.37 million in 2018).

### **B) BPR Contributions**

During 2019, the Agency received an EU subsidy of EUR 2.98 million (EUR 4.88 million in 2018) and an EFTA contribution of EUR 0.1 million (EUR 0.044 million in 2018). In addition, the Agency received a contribution from the Federation of Switzerland of EUR 0.1 million (EUR 0.18 in 2018).

## **PIC and POPs Revenue**

In accordance with the Prior Informed Consent (PIC) Regulation (No 649/2012) and Persistent Organic Pollutants (POPs) Regulation (No 2019/1021), a new task for the Agency as from June 2019, ECHA is fully financed by an EU subsidy. In 2019, the EU contribution amounted to a total of EUR 1.56 million for the regulations concerned (EUR 1.10 million in 2018 for PIC).

### **Contribution Agreements and Service Level Agreements**

The Agency has signed contribution agreements with the Commission to implement the European Union Observatory for Nanomaterials (EUON) and the European Union Chemical Legislation Finder (EUCLEF), as well as for work with respect to the Instrument for Pre-Accession Assistance (IPA).

ECHA has also signed a Contribution Agreement with the Commission to provide opinions for occupational exposure limits (OELs). Additionally, the Agency signed a Service Level Agreement with the European Food Safety Authority (EFSA) for developing IUCLID software for plant protection products.

In 2019, ECHA received an amount of EUR 3.17 million in aggregate for these tasks.

### **Other miscellaneous income**

The table below shows the other miscellaneous income received by the Agency in 2019 (amounts in EUR).

<b>Description</b>	<b>Entitlements established 2019</b>	<b>Revenue received 2019</b>
Legal recoveries	134 250	85 374
Car parking recovery	70 470	70 470
Sale of Goods	5 600	5 600
Recoveries from other EU Agencies	55 216	55 216
Other Cost Recoveries	11 658	11 658
<b>Miscellaneous Income</b>	<b>277 194</b>	<b>228 318</b>

### **Fee Invoicing 2019 (other information in accordance with Article 71 of FR)**

In accordance with Article 71 of the Agency's Financial Regulation, the number of debit notes issued and their global amount shall be provided in the Agency's report on budgetary and financial management. In addition, where fees and charges are entirely determined by legislation or decisions of the Management Board, the Authorising Officer may abstain from issuing recovery orders and directly draw up debit notes after having established the amount receivable. Where the Agency uses a separate invoicing system, the Accounting Officer shall regularly, and at least on a monthly basis, enter the accumulated sum of fees and charges received into the accounts.

The Agency uses a separate invoicing and debtors system for daily transactions related to fee income, namely the REACH IT (REACH/CLP fees and charges) and REACH-NG (Biocidal Products fees and charges) invoicing modules. The invoices raised and the payments received are recorded in the central accounting system on a monthly basis.

### **A) REACH Fees and Charges**

The total net invoiced by the Agency in 2019 amounted to EUR 35.53 million (EUR 80.29 million in 2018). The table below depicts the breakdown of the net invoiced REACH fees during the year.

<b>REACH</b>	<b>2019</b>		<b>2018</b>	
<b>Description</b>	<b>No of Transactions</b>	<b>EUR</b>	<b>No of Transactions</b>	<b>EUR</b>
Invoices issued	8 969	37 795 088	28 473	86 297 847
Credit Notes	227	(1 579 220)	607	(4 420 295)
Unpaid	167	(681 689)	198	(840 926)
Considered paid	38	(2 622)	71	(1 131)
Write offs	-	-	43	(749 145)
<b>Net Invoiced</b>		<b>35 531 557</b>		<b>80 286 350</b>

On the 31 December 2019, the amount to be recovered for REACH fees and charges (before any Accounting adjustments) stood at EUR 4.34 million relating to 571 open invoices

### **B) Biocidal Products Fees and Charges**

The total net invoiced by the Agency in 2019 amounted to EUR 9.14 million (EUR 6.33 million in 2018). The table below depicts the breakdown of the net invoiced BPR fees during the year.

<b>BPR</b>	<b>2019</b>		<b>2018</b>	
<b>Description</b>	<b>No of Transactions</b>	<b>EUR</b>	<b>No of Transactions</b>	<b>EUR</b>
Invoices issued	1 085	9 904 600	1 830	8 671 400
Credit Notes	66	(635 300)	97	(2 244 500)
Unpaid	66	(127 900)	97	(93 600)
Considered paid	4	(752)	-	-
<b>Net Invoiced</b>		<b>9 140 648</b>		<b>6 333 300</b>

On the 31 December 2019, the amount to be recovered for Biocidal product fees and charges (before any Accounting adjustments) stood at EUR 0.052 million relating to 72 open invoices.

### **3.3.3. Expenditure**

Budget expenditure includes payments made during the year and the carry-over of budgetary appropriations. The following paragraphs summarise the execution of appropriations per Title and a more detailed breakdown is provided in Annex I.

#### ***Changes and implementation of the of the appropriations for the current year (C1)***

The initially adopted budget for the Agency in 2019 was EUR 117.2 million and the overall decrease during the year, including 10 transfers and 3 amending budgets, was EUR 7.6 million, resulting in EUR 109.6 million as the final budget.

There were two main reasons for the reduction in the budget. Firstly, following the re-organisation of the Agency and the related transition phase, ECHA's overall vacancy rate was, on average, higher than in previous years. In addition, the overall staff turnover rate in 2019 was higher than expected. These factors resulted in lower salary costs. Secondly, towards the end of the year, it became apparent that the fee income is not developing as planned and thus the Agency was required to find further savings in order to balance the budget.

The final executed amount totalled EUR 108.3 million corresponding to an execution rate of 99% for the appropriations.

#### ***Carry over of appropriations to 2020***

The commitments and payment appropriations carried over to 2020 totalled EUR 14.1 million, corresponding to 13% of the committed amount.

The carry over of staff related expenditure budgeted, in Title 1, was limited and mainly relates to the commitments for trainings and interim services.

In Title 2, covering the Agency's infrastructure, the carry over totalled EUR 4.4 million, stemming mainly from commitments related to ECHA's new building and to IT services.

The operational expenditure required to implement the Work Programme for the different regulations is budgeted in Title 3 for REACH and CLP, in Title 4 for Biocides and in Title 5 for PIC and POPs. The carry over in operational titles totalled EUR 9.3 million and was mostly related to IT projects. The high level of carry overs stems from the contracting cycle caused largely by the uncertainty in the fee income. In the past years, ECHA has had to wait up to late in the year before signing contracts to ensure sufficient funds would be available, or other times has had to accelerate certain projects when the income had exceeded the estimates. This had led to the situation where during the first part of the year the focus is in the implementation of the projects carried over and new projects are only commenced during the second half and sometimes even during the last quarter.

#### ***Implementation of the appropriations carried over from previous year (C8)***

The amount carried over from 2018 totalled EUR 15.1 million and the finally executed amount was EUR 14.8 million, corresponding to 98%. The cancelled 2% relate mostly to IT projects in Titles 2 and 3, to consultancy services on establishing and maintaining a database on substances of very high concern, as well as on operational missions.

#### ***Late interest payments***

During the year 2019, ECHA did not pay late interest for commercial invoices.

#### ***Procurement procedures***

In 2019 ECHA signed 558 contracts and purchase orders for the implementation of its budget. Moreover, the Agency issued 346 catering orders and 596 travel orders through the electronic ordering tools of the relevant framework contracts.

Out of the 558 signed contracts, 458 were specific contracts and orders under framework contracts, 77 were contracts resulting from tendering procedures and 13 were renewals. A total of 10 contracts were signed following negotiated procedures without prior publication based on the relevant rules of the Financial Regulation (Annex 1 – 11.1), 8 of which refer to legal services and the remaining to subscription and direct purchase of services for technical reasons.

Green procurement continued to be a priority and an integral part of the Agency's management system. It is noted that in the context of the relocation of the Agency to a new premises as of January 2020, for all relevant services to be set up such as catering, cleaning, furniture supply, removal, sales of assets etc. specific environmental requirements have been considered as part of the respective procurement procedures. Furthermore, to promote and ensure "Green computing", the IT equipment to be provided by the contractor under the new framework contract for Managed IT Workplace Services should be compliant with current industry standards regarding sustainability and energy efficiency, such as TCO, EPEAT, the ECO Declaration, Energy Star, or other similar ecolabels and environmental certificates.

The annual list of contractors is published by ECHA by 30 June of each year for the previous year to ECHA website <sup>[1]</sup>.

### ***Acts of delegation and sub delegation***

For the purposes of the budget implementation, and in line with Article 41(1) of ECHA's Financial Regulation, the Executive Director as the Authorising Officer of the Agency has delegated financial powers to the directors for the budget lines they are responsible for in line with their activities.

In accordance with Article 41(2), the directors have further sub-delegated financial powers to the heads of unit of their directorates.

For efficiency reasons, the Executive Director has also delegated financial powers to authorise payments below EUR 6 000 to staff in the Finance Unit.

## **4. FINANCIAL MANAGEMENT**

In 2019, ECHA successfully managed its finances ensuring that the 2018 accounts were correctly closed and maintaining rigorous budget and liquidity management to counter the high uncertainty on fee income.

The combination of uncertain fee income and EU balancing subsidy to finance the Agency's operations again proved challenging. Since the final registration deadline in 2018, ECHA's fee income has significantly reduced compelling the Agency to increasingly rely on the EU subsidy to finance its operations. The split between fee income and subsidies in 2019 was around 40 % and 60 %, respectively. This is in stark contrast to the long-term average which has seen 72 % coming from fees and 28 % from EU subsidy.

ECHA's financial stability has been identified as a priority issue by the European Parliament<sup>[2]</sup> and the European Court of Auditors<sup>[3]</sup>, while the European Commission has also recognised the challenges in ECHA's current financing model.

The second REACH Review called on ECHA "to assess all possible options for financing in the context of projected reduced fee income..." The Agency has made proposals using the 2019 fee forecasting studies, that were performed by independent well known consultancy firms, clearly confirming the intrinsic level of uncertainty in fee forecasting and the observed trend of declining fee income, as reference points to support a review of ECHA's financing model.

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<sup>[1]</sup> [https://echa.europa.eu/view-article/-/journal\\_content/title/annual-list-of-awarded-contracts](https://echa.europa.eu/view-article/-/journal_content/title/annual-list-of-awarded-contracts)

<sup>[2]</sup> [European Parliament, Discharge 2017, European Chemicals Agency, adopted 26 March 2019.](#)

<sup>[3]</sup> [European Court of Auditors, Annual report on EU agencies for the financial year 2017 \(2018/C 434/01 on 30 November 2018\).](#)



## 5. ANNEX I - STATISTIC ON FINANCIAL MANAGEMENT AND BUDGET (EXPENDITURE)

### Budget 2019: Breakdown and changes in commitment appropriations and implementation of the appropriations for the current year (C1) per Title\* (EUR)

Title	Description	Budget 2019 (1)	Transfers / amendments (2)	Final Available Commitment Appropriations (3)	Executed Commitment Amount (4)	% Committed (4)/(3)	Final Available Payment Appropriations (5)	Executed Payment Amount (6)	% Paid (6)/(5)	Carried over RAL (C8) (7)	Carried over % (7)/(4)	Cancelled (3)-(4)
A-1	STAFF	75 889 886	-5 050 756	70 839 130	70 453 710	99.5%	70 839 130	70 106 452	99.0%	342 477	0.5%	390 201
A-2	BUILDING, EQUIPMENT AND MISCELL. OPER EXPEND	18 428 240	-1 044 749	17 383 491	17 180 600	98.8%	17 383 491	12 743 715	73.3%	4 436 884	25.8%	202 891
B0-3	OPERATIONAL EXPENDITURE - REACH/CLP	20 060 833	-3 102 779	16 958 054	16 376 586	96.6%	16 093 076	9 502 882	59.0%	6 276 607	38.3%	581 468
B0-4	OPERATIONAL EXPENDITURE - BIOCIDES	2 392 717	1 457 510	3 850 227	3 697 185	96.0%	3 850 227	1 122 479	29.2%	2 574 706	69.6%	153 042
B0-5	OPERATIONAL EXPENDITURE - PIC & POPs	469 874	109 086	578 960	572 056	98.8%	578 960	138 534	23.9%	433 522	75.8%	6 904
		<b>117 241 550</b>	<b>-7 631 688</b>	<b>109 609 862</b>	<b>108 280 136</b>	<b>98.8%</b>	<b>108 744 884</b>	<b>93 614 063</b>	<b>86.1%</b>	<b>14 064 196</b>	<b>13.0%</b>	<b>1 334 507</b>

\*Note: As ECHA operates with both differentiated (multi-annual) and non-differentiated (annual) budget lines, the funds reserved for commitments (commitment appropriations) do not equal the funds reserved for payments (payment appropriations). The results for the administrative titles 1 and 2 are combined for all three regulations.

**Budget 2019: Breakdown & changes in commitment appropriations and implementation of the appropriations for the current year (C1) per Regulation and Title (EUR)**

**REACH/CLP**

Title	Description	Budget 2019 (1)	Transfers / amendments (2)	Final Available Commitment Appropriations (3)	Executed Commitment Amount (4)	% Committed (4)/(3)	Final Available Payment Appropriations (5)	Executed Payment Amount (6)	% Paid (6)/(5)	Carried over RAL (C8) (7)	Carried over % (7)/(4)	Cancelled (3)-(4)
A-1	STAFF	66 832 408	-3 884 462	62 947 946	62 624 112	99.5%	62 947 946	62 320 248	99.0%	299 083	0.5%	328 615
A-2	BUILDING, EQUIPMENT AND MISCELL. OPER EXPEND	16 137 545	-988 239	15 149 306	15 029 985	99.2%	15 149 306	11 149 150	73.6%	3 880 835	25.8%	119 321
B0-3	OPERATIONAL EXPENDITURE - REACH/CLP	20 060 833	-3 102 779	16 958 054	16 376 586	96.6%	16 093 076	9 502 882	59.0%	6 276 607	38.3%	581 468
		<b>103 030 786</b>	<b>-7 975 480</b>	<b>95 055 306</b>	<b>94 030 683</b>	<b>98.9%</b>	<b>94 190 328</b>	<b>82 972 280</b>	<b>88.1%</b>	<b>10 456 525</b>	<b>11.1%</b>	<b>1 029 404</b>

**Biocide**

Title	Description	Budget 2019 (1)	Transfers / amendments (2)	Final Available Commitment Appropriations (3)	Executed Commitment Amount (4)	% Committed (4)/(3)	Final Available Payment Appropriations (5)	Executed Payment Amount (6)	% Paid (6)/(5)	Carried over RAL (C8) (7)	Carried over % (7)/(4)	Cancelled (3)-(4)
A-1	STAFF	8 219 816	-1 070 608	7 149 208	7 102 324	99.3%	7 149 208	7 070 970	98.9%	31 354	0.4%	46 884
A-2	BUILDING, EQUIPMENT AND MISCELL. OPER EXPEND	2 034 231	-43 110	1 991 121	1 909 868	95.9%	1 991 121	1 416 016	71.1%	493 852	25.9%	81 253
B0-4	OPERATIONAL EXPENDITURE - BIOCIDES	2 392 717	1 457 510	3 850 227	3 697 185	96.0%	3 850 227	1 122 479	29.2%	2 574 706	69.6%	153 042
		<b>12 646 764</b>	<b>343 792</b>	<b>12 990 556</b>	<b>12 709 376</b>	<b>97.8%</b>	<b>12 990 556</b>	<b>9 609 464</b>	<b>74.0%</b>	<b>3 099 912</b>	<b>24.4%</b>	<b>281 180</b>

**PIC & POPs**

Title	Description	Budget 2019 (1)	Transfers / amendments (2)	Final Available Commitment Appropriations (3)	Executed Commitment Amount (4)	% Committed (4)/(3)	Final Available Payment Appropriations (5)	Executed Payment Amount (6)	% Paid (6)/(5)	Carried over RAL (C8) (7)	Carried over % (7)/(4)	Cancelled (3)-(4)
A-1	STAFF	837 662	-95 686	741 976	727 274	98.0%	741 976	715 235	96.4%	12 039	1.7%	14 702
A-2	BUILDING, EQUIPMENT AND MISCELL. OPER EXPEND	256 464	-13 400	243 064	240 747	99.0%	243 064	178 550	73.5%	62 197	25.8%	2 317
B0-5	OPERATIONAL EXPENDITURE - PIC & POPs	469 874	109 086	578 960	572 056	98.8%	578 960	138 534	23.9%	433 522	75.8%	6 904
		<b>1 564 000</b>	<b>0</b>	<b>1 564 000</b>	<b>1 540 077</b>	<b>98.5%</b>	<b>1 564 000</b>	<b>1 032 319</b>	<b>66.0%</b>	<b>507 758</b>	<b>33.0%</b>	<b>23 923</b>

## Budget 2019: Breakdown & changes in commitment appropriations and implementation of the appropriations for the year (C1) per Chapter (EUR)

Chapter	Description	Budget 2019 (1)	Transfers / amendments (2)	Final Available Commitment Appropriations (3)	Executed Commitment Amount (4)	% Committed (4)/(3)	Final Available Payment Appropriations (5)	Executed Payment Amount (6)	% Paid (6)/(5)	Carried over RAL (C8) (7)	Carried over % (7)/(4)	Cancelled (3)-(4)
A-11	STAFF IN ACTIVE EMPLOYMENT	69 235 200	-5 094 584	64 140 616	64 069 860	100%	64 140 616	64 065 080	100%	0	0%	75 536
A-12	MISCELL EXPEND ON STAFF RECRUITMENT AND TRANSFER	581 321	167 363	748 684	718 867	96%	748 684	713 538	95%	5 330	1%	29 817
A-13	MISSIONS AND DUTY TRAVEL	44 000	-3 000	41 000	38 013	93%	41 000	37 002	90%	1 011	3%	2 987
A-14	SOCIO-MEDICAL INFRASTRUCTURE AND SOCIAL WELFARE	1 883 478	-18 535	1 864 943	1 821 733	98%	1 864 943	1 762 417	95%	59 316	3%	43 210
A-15	TRAINING	951 801	-212 072	739 729	647 877	88%	739 729	569 491	77%	78 386	12%	91 852
A-16	EXTERNAL SERVICES	3 194 086	110 072	3 304 158	3 157 359	96%	3 304 158	2 958 925	90%	198 434	6%	146 799
	<b>Total</b>	<b>75 889 886</b>	<b>-5 050 756</b>	<b>70 839 130</b>	<b>70 453 710</b>	<b>99%</b>	<b>70 839 130</b>	<b>70 106 452</b>	<b>99%</b>	<b>342 477</b>	<b>0%</b>	<b>390 201</b>
Chapter	Description	Budget 2019 (1)	Transfers / amendments (2)	Final Available Commitment Appropriations (3)	Executed Commitment Amount (4)	% Committed (4)/(3)	Final Available Payment Appropriations (5)	Executed Payment Amount (6)	% Paid (6)/(5)	Carried over RAL (C8) (7)	Carried over % (7)/(4)	Cancelled (3)-(4)
A-20	RENTAL OF BUILDINGS AND ASSOCIATED COSTS	8 335 861	-1 030 081	7 305 780	7 297 639	100%	7 305 780	7 132 611	98%	165 028	2%	8 141
A-21	INFORMATION AND COMMUNICATION TECHNOLOGY	7 683 629	-586 560	7 097 069	6 993 292	99%	7 097 069	5 022 637	71%	1 970 655	28%	103 777
A-22	MOVABLE PROPERTY AND ASSOCIATED COSTS	1 789 443	660 729	2 450 172	2 410 033	98%	2 450 172	492 162	20%	1 917 871	80%	40 139
A-23	CURRENT ADMINISTRATIVE EXPENDITURE	607 307	-87 838	519 469	472 702	91%	519 469	91 383	18%	381 318	81%	46 767
A-25	MEETINGS EXPENDITURE	12 000	-999	11 001	6 934	63%	11 001	4 922	45%	2 012	29%	4 067
	<b>Total</b>	<b>18 428 240</b>	<b>-1 044 749</b>	<b>17 383 491</b>	<b>17 180 600</b>	<b>99%</b>	<b>17 383 491</b>	<b>12 743 715</b>	<b>73%</b>	<b>4 436 884</b>	<b>26%</b>	<b>202 891</b>
Chapter	Description	Budget 2019 (1)	Transfers / amendments (2)	Final Available Commitment Appropriations (3)	Executed Commitment Amount (4)	% Committed (4)/(3)	Final Available Payment Appropriations (5)	Executed Payment Amount (6)	% Paid (6)/(5)	Carried over RAL (C8) (7)	Carried over % (7)/(4)	Cancelled (3)-(4)
B3-0	REACH	17 338 833	-2 232 334	15 106 499	14 822 095	98%	15 106 499	8 545 488	57%	6 276 607	42%	284 404
B3-1	Multiannual activities	2 122 000	-670 445	1 451 555	1 354 510	93%	551 577	525 259	95%	0	0%	97 045
B3-8	INTERNATIONAL ACTIVITIES	600 000	-200 000	400 000	199 980	50%	435 000	432 135	99%	0	0%	200 020
	<b>Total</b>	<b>20 060 833</b>	<b>-3 102 779</b>	<b>16 958 054</b>	<b>16 376 586</b>	<b>97%</b>	<b>16 093 076</b>	<b>9 502 882</b>	<b>59%</b>	<b>6 276 607</b>	<b>38%</b>	<b>581 468</b>
Chapter	Description	Budget 2019 (1)	Transfers / amendments (2)	Final Available Commitment Appropriations (3)	Executed Commitment Amount (4)	% Committed (4)/(3)	Final Available Payment Appropriations (5)	Executed Payment Amount (6)	% Paid (6)/(5)	Carried over RAL (C8) (7)	Carried over % (7)/(4)	Cancelled (3)-(4)
B4-0	BIOCIDES	2 392 717	1 457 510	3 850 227	3 697 185	96%	3 850 227	1 122 479	29%	2 574 706	70%	153 042
	<b>Total</b>	<b>2 392 717</b>	<b>1 457 510</b>	<b>3 850 227</b>	<b>3 697 185</b>	<b>96%</b>	<b>3 850 227</b>	<b>1 122 479</b>	<b>29%</b>	<b>2 574 706</b>	<b>70%</b>	<b>153 042</b>
Chapter	Description	Budget 2019 (1)	Transfers / amendments (2)	Final Available Commitment Appropriations (3)	Executed Commitment Amount (4)	% Committed (4)/(3)	Final Available Payment Appropriations (5)	Executed Payment Amount (6)	% Paid (6)/(5)	Carried over RAL (C8) (7)	Carried over % (7)/(4)	Cancelled (3)-(4)
B5-0	PIC & POPs	469 874	109 086	578 960	572 056	99%	578 960	138 534	24%	433 522	76%	6 904
	<b>Total</b>	<b>469 874</b>	<b>109 086</b>	<b>578 960</b>	<b>572 056</b>	<b>99%</b>	<b>578 960</b>	<b>138 534</b>	<b>24%</b>	<b>433 522</b>	<b>76%</b>	<b>6 904</b>
Total ECHA		Budget 2019 (1)	Transfers / amendments (2)	Final Available Commitment Appropriations (3)	Executed Commitment Amount (4)	% Committed (4)/(3)	Final Available Payment Appropriations (5)	Executed Payment Amount (6)	% Paid (6)/(5)	Carried over RAL (C8) (7)	Carried over % (7)/(4)	Cancelled (3)-(4)
		<b>117 241 550</b>	<b>-7 631 688</b>	<b>109 609 862</b>	<b>108 280 136</b>	<b>99%</b>	<b>108 744 884</b>	<b>93 614 063</b>	<b>86%</b>	<b>14 064 196</b>	<b>13%</b>	<b>1 334 507</b>

**Budget 2019: Implementation of differentiated appropriations (EUR)**

Budget line		Available commitment appropriations	Commitments made	%	Available payment appropriations	Payments made	%
B3-111	Substance evaluation and Rapporteurs (Multiannual)	2 086 870	1 842 329	88%	551 577	525 259	95%
B3-801	Cooperation with international organisations for IT programs	1 054 788	848 931	80%	435 000	432 135	99%
<b>Total</b>		<b>3 141 658</b>	<b>2 691 260</b>	<b>86%</b>	<b>986 577</b>	<b>957 394</b>	<b>97%</b>

Out of the total available commitment appropriations, EUR 1 290 103 was stemming from commitments made in earlier financial years. The available commitment appropriations for 2019 totalled EUR 1 851 555 out of which EUR 1 554 490 (84%) were committed. The amount of commitments carried forward to 2020 totals EUR 1 733 866.

**Budget 2019: Implementation of assigned revenue (C4, C5, R0) (EUR)**

Title	Description	CD/ CND	FS	Commitments Appropriations	Commitments Established	Com %	Payments Appropriations	Payments Executed	Pay%	Carried over commitment appropriations	Carried over payment appropriations
A-1	STAFF	CND	C4	55 216	3 687	7%	55 216	3 626	7%	51 530	51 590
A-2	BUILDING. EQUIPMENT AND MISCELL. OPER EXPEND	CND	C4	77 152	56 430	73%	77 152	0	0%	20 722	77 152
B0-3	OPERATIONAL EXPENDITURE - REACH/CLP	CND	C4	76 421	9 569	13%	76 421	9 524	12%	66 852	66 898
B0-4	OPERATIONAL EXPENDITURE - BIOCIDES	CND	C4	18 776	0	0%	18 776	0	0%	18 776	18 776
			<b>C4</b>	<b>227 565</b>	<b>69 686</b>	<b>31%</b>	<b>227 565</b>	<b>13 150</b>	<b>6%</b>	<b>157 879</b>	<b>214 415</b>

Title	Description	CD/ CND	FS	Commitments Appropriations	Commitments Established	Com %	Payments Appropriations	Payments Executed	Pay%	Carried over commitment appropriations	Carried over payment appropriations
A-1	STAFF	CND	C5	15 352	15 352	100%	15 352	15 352	100%	0	0
A-2	BUILDING. EQUIPMENT AND MISCELL. OPER EXPEND	CND	C5	118 291	118 215	100%	118 291	78 660	66%	0	39 631
B0-3	OPERATIONAL EXPENDITURE - REACH/CLP	CND	C5	62 144	62 144	100%	62 144	14 071	23%	0	48 073
			<b>C5</b>	<b>195 787</b>	<b>195 711</b>	<b>100%</b>	<b>195 787</b>	<b>108 083</b>	<b>55%</b>	<b>0</b>	<b>87 704</b>

BL	Description	CD/ CND	FS	Commitments Appropriations	Commitments Established	Com %	Payments Appropriations	Payments Executed	Pay%	Carried over commitment appropriations	Carried over payment appropriations
B6-000	IPA programme	CND	R0	558 390	358 508	64%	558 390	132 759	24%	199 882	425 631
B6-010	EUON	CND	R0	1 669 926	930 512	56%	1 676 107	657 955	39%	739 414	1 018 153
B6-011	EUCLF	CND	R0	2 098 682	967 680	46%	2 092 500	536 993	26%	1 131 001	1 555 507
B6-020	Occupational exposure limits	CND	R0	240 000	199 236	83%	240 000	106 388	44%	40 764	133 612
B6-021	Further development of IUCLID (w/ third parties)	CND	R0	784 428	784 428	100%	784 428	187 175	24%	0	597 253
			<b>R0</b>	<b>5 351 425</b>	<b>3 240 365</b>	<b>61%</b>	<b>5 351 425</b>	<b>1 621 270</b>	<b>30%</b>	<b>2 111 061</b>	<b>3 730 155</b>

**Budget 2019: Implementation of the appropriations carried forward from previous year (C8) Per Title (EUR)**

Title	Description	Carried Forward from 2018	Paid	Cancelled	% cancelled
A-1	STAFF	256 142	242 204	13 938	5%
A-2	BUILDING. EQUIPMENT AND MISCELL. OPER EXPEND	3 829 837	3 748 524	81 313	2%
B0-3	OPERATIONAL EXPENDITURE - REACH/CLP	10 428 202	10 229 283	198 919	2%
B0-4	OPERATIONAL EXPENDITURE - BIOCIDES	426 251	413 369	12 882	3%
B0-5	OPERATIONAL EXPENDITURE - PIC & POPs	131 282	131 131	151	0%
		<b>15 071 714</b>	<b>14 764 511</b>	<b>307 203</b>	<b>2%</b>