

Directive for the management of reserves at the Ecole polytechnique fédérale de Lausanne

LEX 5.1.2

of August 1st, 2020

*The Direction of the Ecole polytechnique fédérale de Lausanne,
based on the directive du Conseil des EPF concernant la politique en matière de réserves dans le
Domaine des EPF of 12th December 2019,
based on the EPFL Financial Regulations (Lex 5.1.1),
hereby adopts the following:*

Section 1 General provisions

Article 1 Objectives and scope of application

¹ EPFL hereby issues a directive for the management of reserves with the following objectives:

- clarification of the definitions of the vocabulary relating to reserves;
- definition of roles and responsibilities in terms of provisional management and use of reserves, and in terms of accounting classification between free and dedicated reserves;
- definition of the reference values which govern the total level of EPFL reserves and the associated monitoring and reporting process.

² The present directive for the management of reserves applies to EPFL and concerns the reserves which appear as equity in the EPFL accounts.

Article 2 Definitions

¹ Dedicated reserves

Reserves for which the future usage is clearly quantified, with a start and end date, and for which the future usage is recorded by a decision by the Direction of EPFL or a contract with one or more third party donors¹.

² Free reserves

Reserves for which there exist no external or internal obligations which could limit the decision-making freedom surrounding their usage².

Section 2 Roles and responsibilities

Article 3 Reserve management and responsibility

Management and responsibility for reserves are decentralised:

- The first reason for the constitution and maintenance of reserves is to permit the anticipation and covering of risks. This objective is under the responsibility of each Head of Unit, and the Head of Unit to which he/she is attached;

¹ Detailed rules are laid out in the *Manuel de présentation des comptes pour le Domaine des EPF* (French only), section 4.22 – *Réserves liées*, which covers the accounting rules relating to dedicated reserves.

² Detailed rules are laid out in the *Manuel de présentation des comptes pour le Domaine des EPF* (French only), section 4.23 – *Réserves libres*, which covers the accounting rules relating to free reserves.

- The second reason for the constitution and maintenance of reserves is to have flexibility to finance strategic projects or the launching of new initiatives, with the approval of the Dean, College Director or the Vice President in charge³;
- The allocation of reserves by the central services for a transversal project is subject to a decision by the Direction.

Article 4 Accounting classification of reserves (free or dedicated)

¹ The accounting classification of free or dedicated reserves meets the detailed criteria defined in the *Manuel comptable du Domaine des EPF* (French only). The classification of dedicated reserves is notably obligatorily based on a contract with a third party or a decision by the Direction.

² To meet this condition, the decisions taken by the Deans, College Directors or Vice Presidents to allocate free reserves for the purpose of launching strategic projects or for funding the start up of new initiatives in accordance with Article 5 paragraph 1 are consolidated and presented to the Direction on a quarterly basis within the context of the quarterly financial report.

³ If the Direction validates them and if the other conditions defined in the *Manuel comptable* are met, the Vice President for Finances transfers the corresponding reserves to dedicated reserves, making sure that they are accompanied by the appropriate documentation.

⁴ Once classed as dedicated reserves, the corresponding funds are under the responsibility of the Unit in charge of the project, under the conditions agreed upon within the context of the Direction's decision concerning the aim, amount and deadline.

Section 3 Multi-year planning

Article 5 Multi-year planning and the development of reserves within the budgetary process

¹ As part of the annual budgetary process, each Vice Presidency, School and College prepares a projection of the development of its free and dedicated reserves (including rises, falls and transfers between categories of reserves) with the same multi-year horizon as for its budgetary requirements.

² The Vice President for Finances consolidates the projections and establishes an EPFL-wide view, which is discussed and validated by the Direction at the same time as the budget.

Section 4 Reference values for free reserves

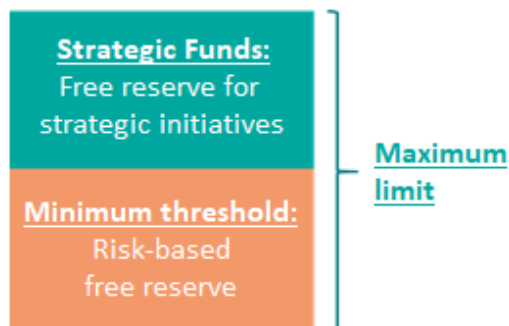
Article 6 General

¹ Pursuant to Article 5 of the directive for the ETH Domain, three indicative values are defined for the free reserves of the School: the risk-based amount (minimum threshold), the strategic fund, and the cumulative amount, the later amount being the sum of the first two values.

³ In accordance with Lex 5.1.1 (Financial Regulations), a request for the opening of a new project fund is submitted to the Controlling Service of the Vice Presidency for Finances if the amount exceeds CHF 50,000, in order to allow for the subsequent monitoring of the project. If the amount is below CHF 50,000, it is monitored through the designated fund of the Unit.

² Ranges are proposed for EPFL by the Vice President for Finances and validated by the Direction for each of the three indicative values; these ranges make it possible to set a lower value and a target value. The sum of the target values in terms of the amount necessary to cover risk and the amount necessary for the strategic fund combine to make up the maximum limit.

³ These reference values are applicable to EPFL as a whole. There are no limits or reference values defined through this directive at a Unit or individual School level.



Article 7 Risk-based free reserve (minimum threshold)

The minimum free reserve must make it possible to cover the main risks to which EPFL is exposed as a whole, which notably include:

- Risk of having to cover the salary of employees involved in a project in the case of loss of third party funding;
- Currency risks, notably EUR/CHF on European projects;
- Risk of loss of revenue in the case of economic downturn, for instance revenue related to workspace and office rental activities;
- Risk of having to absorb non-eligible costs in respect of the rules governing third party funding or in exceptional circumstances (closure of laboratories, pandemics, etc.);
- Constitution of a start-up fund for a new professor in the case of the unannounced departure of another professor;
- Financing for self-insured damages / accidents which affect scientific equipment or infrastructures;
- Risks related to the provision of certain cover for employees, for which EPFL is self-insured.

Article 8 Free reserves for strategic initiatives (strategic fund)

EPFL's strategic fund is notably intended to cover specific, time-limited initiatives, which notably include:

- Funding, launching of strategic projects which are strictly time-limited;
- Funding of the first months or years of salary for a professor who has been recruited in anticipation of the departure of another professor;
- Funding the highs in real estate, technical or scientific infrastructure investment cycles, these being areas which are typically cyclical.

Article 9 Process for the annual updating of reference values

The Vice President for Finances regularly reviews the reference values for EPFL and suggests adjustments on an exceptional basis, if necessary. New reference values are subject to validation by the EPFL Direction.

Article 10 Corrective measures for if a reference value threshold is crossed

¹ If either the higher or lower reference value thresholds are crossed, the EPFL Direction shall implement corrective measures, either in order to reconstitute the reserves, should the minimum threshold have been crossed, or in order to plan the allocation of reserves, should the maximum threshold have been crossed.

² Pursuant to Article 7 paragraph 3 of the directive for the ETH Domain, if the free reserves cross the maximum limit value for two consecutive years, the EPFL Direction shall notify the ETH Board of detailed measures taken in order to reduce this reserve.

Section 5 Reporting

Article 11 Quarterly reporting to the Direction

The Vice President for Finances presents the development of all of the reserves through the quarterly financial report to the Direction⁴, highlighting the key points in relation to the previous reporting.

Article 12 Annual reporting to the ETH Board

Pursuant to Article 7 paragraphs 1 and 2 of the directive for the ETH Domain, at the beginning of each year, the Vice President for Finances shares with the EPFL Direction and the ETH Board a report explaining the development of the reserves in comparison with the previous year (rises, drops, transfers), the situation in relation to the reference values and the trends anticipated for the coming years.

Section 6 Final provisions

Article 13 Entry into force

The present document enters into force on August 1st, 2020.

On behalf of the EPFL Direction:

President:
Martin Vetterli

Director of Legal Affairs:
Françoise Chardonens

⁴ The amount of certain reserves, only updated at the time of the annual financial closing, is subject to estimations made for reporting purposes throughout the year.