

**AGENDA**  
**56th Meeting of the STCU Governing Board**  
**June 20, 2023**

**1. Opening of the Meeting**

- |     |  |                              |
|-----|--|------------------------------|
| 1.1 | Opening Remarks from the GB Chair                    | (Chair, Governing Board)     |
| 1.2 | Opening Remarks from other GB Members/Invited Guests | (GB Members/Other Officials) |
| 1.3 | Welcome from the Executive Director                  | (Curtis "B.J." Bjelajac)     |

**2. Administrative Topics**

- 2.1 Adoption of the Agenda

**3. Agenda**

- |       |   |                          |
|-------|---|--------------------------|
| 3.1.  | Review and Approval of minutes of 55th GB meeting conducted on December 2, 2023       | (GB Members)             |
| 3.2.  | Review of 56th Draft Record of Decisions & Funding Sheets                             | (Curtis "B.J." Bjelajac) |
| 3.3.  | Executive Director Report   | (Curtis "B.J." Bjelajac) |
| 3.4.  | Presentation of December 31, 2021, Audited Financial Statements and Management Letter | (Anthony Nichol)         |
| 3.5.  | Approve 1-year Contract Extension of STCU Sr. DED                                     | (GB Members)             |
| 3.6.  | Approve 2-year Contract Extension of STCU CFO/CAO                                     | (GB Members)             |
| 3.7.  | Approve 1-year Contract Extension of STCU ED  | (GB Members)             |
| 3.8.  | Update on EU/US Fellowships   | (Mykola Lubiv)           |
| 3.9.  | Discuss/Approve 57th GB schedule  | (Curtis "B.J." Bjelajac) |
| 3.10. | Finalize 56th GB Record of Decisions and Funding Sheet                                | (GB Members)             |
| 3.11. | AOB (Any Other Business)  | (GB Members)             |

**4. Closing of the Meeting**

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|-----|---|--------------------------------|
| 4.1 | Any Other Business (AOB)                | (All)                          |
| 4.2 | Final Issues/Statements from GB Members | (GB Members)                   |
| 4.3 | Closing Remarks/Adjournment             | (Chairman, Executive Director) |

**STCU Governing Board 56**  
**June 20, 2023**  
**List of Participants**

**CHAIR: Mr. Eddie Maier, European Commission (Retired)**

**European Union**

**Sorin POPA**

Programme Manager  
Service for Foreign Policy Instruments  
European Commission

**Georgia**

**Rusudan JOBAVA**

Head  
Office of International Relations and Fundraising  
Shota Rustaveli National Science Foundation

**Ukraine**

**Ihor TARANOV**

Director General  
Head of the Expert group on Integration into  
European Research Area  
Directorate on Science and Innovation  
Ministry of Education and Science of Ukraine

**United States of America**

**Barbara HALL**

Office of Cooperative Threat Reduction  
U.S. Department of State

**Andrew HOOD**

Office of Cooperative Threat Reduction  
U.S. Department of State

**Patrick BECKER**

Deputy Director  
Cooperative Threat Reduction  
Defense Threat Reduction Agency

**Regina CARTER**

National Nuclear Security Administration  
U.S. Department of Energy

**Don HATCH**

National Nuclear Security Administration  
U.S. Department of Energy



## ISTC

**Ronald LEHMAN**

Chairman of the Governing Board  
International Science and Technology Center

**David Cleave**

Executive Director  
International Science and Technology Center

**Sonya VEKSTEIN**

Chief Financial Officer  
International Science and Technology Center

## Secretariat STCU

**Curtis "B.J." BJELAJAC**

**Mykola LUBIV**

**Anthony NICHOL**

**Summary of the STCU 55th GOVERNING BOARD MEETING**  
**via ZOOM**  
**December 2nd, 2022**

**Chair**

Mr. Eddie MAIER, Retired

**Azerbaijan**

Mr. Gulam BABAYEV, Azerbaijan Information Officer, STCU

**European Union:**

Ms. Natalie PAUWELS, Board Member, Head of Unit, Stability and Peace - Global and Transregional Threats (FPI.1), Service for Foreign Policy Instruments, European Commission

Mr. Sorin POPA, Programme Manager – EU Policies, Stability and Peace - Global and Transregional Threats (FPI.1), Service for Foreign Policy Instruments, European Commission

**Ukraine:**

Mr. Ihor TARANOV, Acting Board Member, Director General, Head of Expert Group on Integration into European Research Area, Directorate on Science and Innovation, Ministry of Education and Science of Ukraine

**United States of America:**

Ms. Kathryn INSLEY, Board Member, Acting Deputy Assistant Secretary for Nonproliferation Programs, Bureau of International Security and Nonproliferation, U.S. Department of State

Mr. Daniel MILLER, Acting Deputy Director, Office of Cooperative Threat Reduction, U.S. Department of State

Mr. Mark SCHELAND, Team Chief, Counterproliferation, Chemical Security, & Nuclear Security Programs, Office of Cooperative Threat Reduction, U.S. Department of State

Ms. Laura DENLINGER, Deputy Team Chief, Counterproliferation Programs, Office of Cooperative Threat Reduction, U.S. Department of State

Ms. Barbara HALL, Office of Cooperative Threat Reduction, U.S. Department of State

Ms. Regina CARTER, Senior Advisor, Office of Nonproliferation and Arms Control, National Nuclear Security Administration, U.S. Department of Energy

Mr. Donald HATCH, Office of Nonproliferation and Arms Control, National Nuclear Security Administration, U.S. Department of Energy

**Secretariat ISTC**

Mr. Ronald LEHMAN, Chair, International Science and Technology Center

Ms. Sonya VEKSTEIN, Chief Financial Officer, International Science and Technology Center

**Secretariat STCU**

Curtis "B.J." BJELAJAC

Mykola LUBIV

Anthony NICHOL

**1.1      Opening Remarks (where possible, and for accuracy, most remarks are transcribed in their entirety)**

Eddie Maier, the STCU Chair, opened the meeting with the following remarks, "Dear Governing Board members, Executive Director, members of the Secretariat, colleagues, ladies and gentlemen, and friends, today we have our second STCU Governing Board meeting taking place in remote format whilst Ukraine is at war. I would like to take this opportunity to pass on my best wishes to Deputy Minister Shkuratov who is not able to join us today because of a health issue, and to welcome Mr. Taranov who will serve as the acting Board member in his stead. I would also like to highlight that the situation in Ukraine is a bit better in comparison with the last time that we met back in May, with Kyiv no longer under threat. Of course, I understand that it is ironic to say that the situation in Ukraine is better given how much the people of Ukraine have suffered, but it appears that we are starting to see some light at the end of the tunnel. I would also like to take this opportunity to echo the message of Presidents Biden and Macron who met yesterday in Washington D.C. and expressed their full support for Ukraine in its war with the Russian Federation. I would also like to point out that we must not forget that Ukraine's neighbors also suffer from this conflict with not only their economies negatively impacted but also with the massive influx of Ukrainians fleeing the war. Some neighbors such as Georgia are also in the unique situation where they are also seeing an influx of Russian refugees, which adds an additional destabilizing factor into the mix. I am sure that we are all in agreement that we all hope that this difficult situation will soon change for the better, and that Ukraine and its people will succeed in their fight to maintain their freedom and their internationally recognized borders. Thank you." With that, the Chair invited the other Parties to take the floor to make opening remarks.

Mr. Maier welcomed opening remarks from the United States.

Ms. Insley spoke on behalf of the U.S. and stated: "Good morning and good evening to all of our colleagues. It's a pleasure to be meeting with you all today. I have had the opportunity to meet many of you before, but for those that I haven't met, my name is Kate Insley and I'm the Deputy Assistant Secretary within the State Department's Bureau of International Security and Nonproliferation. I'm also the U.S. Party's STCU Governing Board member. I want to express the U.S. Party's sincere thanks to both our Executive Director, Deputy Executive Director, and the STCU Secretariat for hosting today's virtual meeting, despite the incredibly challenging circumstances under which the entire STCU team has been operating since Russia's invasion of Ukraine. To the Ukrainian Party, I'd like to first extend our well wishes to your Deputy Minister, who's unable to join us today. To Director General Taranov and our Ukrainian partners on this call I would like to emphasize that the U.S. government's commitment to Ukraine remains steadfast. We continue to do everything we can with our allies and partners to support Ukraine. I look forward to today's discussion and hearing from you, as well as the STCU Secretariat and our EU colleagues on how we can continue to support you and advance our shared security objectives.

I also want to extend the U.S. Party's gratitude to the Governing Board Chair, Mr. Eddie Meier, and to the other Parties. I'll also note that I'm joined today by my State Department colleagues: Daniel Miller, Mark Schelard, Laura Denlinger, and Barbara Hall, as well as Regina Carter from the US. Department of Energy's National Nuclear Security Administration. At the last Governing Board meeting in May, only a few months had passed since Russia's unprovoked and unjust war, and we were collectively taking stock of how we could further support our Ukrainian partners. At that point, the U.S. had provided more than \$2.5 billion in security assistance to Ukraine. That number is now well over \$18 billion. Russia's barbarism continues drawing this war to almost a year in duration and what the Ukrainian people have endured over the past nearly year is unimaginable. However, the Ukrainian people's response to this war has also been truly inspiring. As I said, our support remains steadfast, and we continue to work with our allies and partners to coordinate and supplement our assistance so that Ukraine is getting what it needs to see this war to an end.

Established in Ukraine and serving all its Parties mutually, the STCU manifests the sovereignty of Ukraine and of each Party. It reflects the Parties' commitment to Ukraine and is a unique mechanism for advancing the Parties' nonproliferation objectives while also supporting our Ukrainian Partners at this critical moment. The STCU has been vital in our effort to support displaced Ukrainian scientists. The U.S. Party has several projects underway through the STCU to provide virtual fellowships, trainings, and other capacity building support to these scientists so that they can continue their important work in Ukraine. This effort also extends to the first Small Modular Reactor capacity building program for Ukraine that we are funding through the STCU, which also includes virtual fellowships for nuclear scientists, as well as fellowships for Ukrainian nuclear experts focused on countering nuclear energy disinformation. In this connection, I would like to express our sincere appreciation to Deputy Executive Director Lubiv for his tireless and

committed work to ensure the smooth implementation of all these efforts. This work would not be possible without your partnership. Sadly, the Russian government's absurd disinformation campaigns are becoming all too well known to many of us. Desperate to fabricate a false pretense for its unjust acts against Ukraine, Russia seeks to distort the STCU and its Partners peaceful research. While we have grown accustomed to these ridiculous allegations, we cannot become complacent.

I understand that today we will discuss the recommendation of the STCU to hire a public relations firm to build the public profile of the STCU, provide proactive and positive information to the public about our peaceful work, and respond when necessary and appropriate to these absurd claims. We cannot let disinformation drive our messaging and we need to ensure that we are proactively promoting the critically important work of the STCU. I'd like to conclude by reiterating the U.S. Party's steadfast support to the STCU and to our Ukrainian partners. As mentioned earlier, we have increased our programming through the STCU significantly over the past year. We've programmed \$3 million to support displaced Ukrainian scientists, more than half of that through the STCU, and our efforts through the first Small Modular Reactor program continue to be augmented. We're also grateful to be partnering with the EU, UK, and Norway in the Chornobyl Exclusion Zone to provide urgent assistance and coordination with the STCU and the Joint Support Office. Our colleagues with the Department of Energy, Department of Defense, and the National Institutes of Health have several important projects underway as well. In addition to these programmatic efforts, the U.S. Party has and will of course continue to meet our AOB and contract salary obligations. I really look forward to our conversations today to understand how we can further support the STCU. The safety of our people is of course of utmost importance. And I want to again extend our deepest appreciation to the ED for your leadership of the STCU during this critical time."

Mr. Maier thanked Ms. Insley for her remarks and next welcomed opening remarks from the European Union.

Ms. Pauwels spoke on behalf of the EU and stated: "Thank you to the Chair and Executive Director. Good afternoon to all of you and to our US colleagues where it's still morning. It's very good to see all of you on this call. Our last meeting was here in Brussels, where many of us were able to get together and had a chance to meet people in person. I think that in-person opportunity back in May makes a difference when we come back to this remote format, as it adds to the feeling of community. I would also like to join Ms. Insley in saying that we regret, of course, that Deputy Minister Shkuratov was unable to join us today and we wish him a speedy recovery. We are very grateful that Mr. Taranov can join us to represent the Ukrainian Party at this meeting."

The ongoing war in Ukraine continues to be a major preoccupation for the European Union and we also recognize this to be true for all our partners in the region. We had hoped that since our last meeting back in May that things would be different, but unfortunately, we see today that our Ukrainian partners continue to face Russia's illegal and unjustifiable war of aggression. The European Union remains unwavering in its commitment to stand with Ukraine for as long as it takes to ensure Ukraine's sovereignty, independence, and territorial integrity. Now, more than ever before, the EU is grateful for the opportunity that membership in the STCU provides us to cooperate closely not only with Ukraine, but also with the United States and all other Parties to use science and technology engagement and cooperation to promote international security, well-being, and hopefully peace. I also want to join Ms. Insley again in expressing our appreciation to the Executive Director for his continued leadership during these difficult times. We also recognize that the entire STCU team is doing its utmost despite the numerous challenges presented by the war. It is clear to us that the war is having a direct impact on the lives of many of our colleagues in Ukraine, not only professionally but also personally. We want them to know that we appreciate all that they have accomplished under these difficult circumstances.

Ms. Insley highlighted some of the important projects that the US Party is implementing via the STCU and I would also like to use this opportunity to call attention to a number of important projects funded by the EU at the Center. For example, under the CBRN Centers of Excellence initiative, the EU is implementing Project 88 on CBRN medical emergency response, where the STCU is helping us deliver important equipment, for example, to Ukraine. Furthermore, the STCU is also teaming up with our colleagues from the European Space Agency to provide training on cybersecurity to three different groups in Ukraine responsible for CBRN security. In addition, the STCU is very much involved in a project that cooperates with our colleagues from DG HOME to acquire, train, and transfer dogs to our Ukrainian colleagues that can sniff mines and unexploded ordnance. Finally, the EU very much hopes that the STCU

will be able to implement another big, regional project in the context of the CBRN Centers of Excellence initiative, this time focusing on frontline biosafety and biosecurity (Project 100).

At the last GB meeting in May, we also discussed quite extensively the issue of engagement of the scientific community in Ukraine and how best to approach this issue. I would like to take this opportunity to inform the GB that the EU continues to develop activities to focus on supporting this important community in the hope that we will be able to launch initiatives in the new year.

I will just close by saying that the EU is very happy to announce that it recently transferred its financial contribution to the STCU for next year (2023), and that the EU is in a good place to discuss STCU future activities. Thank you very much for your attention, I look forward to a productive meeting."

Mr. Maier thanked Ms. Pauwels for her remarks and next welcomed opening remarks from Ukraine.

On behalf of the Ukrainian Board member, Deputy Minister Shkuratov, who was unable to attend the meeting, Mr. Ihor Taranov, Head of Expert Group on Integration into European Research Area, Directorate on Science and Innovation, Ministry of Education and Science of Ukraine provided the following remarks:

"Thank you very much. From the Ukrainian side, I would like to express my gratitude to all of our colleagues here who have supported Ukraine from the first day of the Russian invasion. Unfortunately, the current situation is very difficult in Ukraine but despite the difficult circumstances, we try to do our best to cooperate with our foreign partners and to do everything to defend our country, to protect our population, and to protect Ukraine and its people. As you all know, currently we have many problems in Ukraine, but the main problem as of today is the situation with the aggression from the side of the Russian Federation, and even in these conditions we try to support Ukraine's researchers and all who are working within the area of science and innovation. Despite our efforts, in the current conditions we have many losses in Ukraine. Unfortunately, we have lost staff, we have lost infrastructure, and given our current condition it is very difficult to carry out scientific and research activity.

Today, the damage in Ukraine is significant. For example, seventy (70) scientific institutions in Ukraine are at least partially damaged, two institutions are completely damaged, and the Government of Ukraine has no information about ten scientific institutions, because they are in currently occupied territory of Ukraine. In general, about 15% of Ukrainian research infrastructure is now damaged. Thus, Ukraine loses equipment, laboratories, etc., but we still work. For this we thank all our supporting Partners, who provide us with the funding and equipment to continue our work and our job. Many thanks to all other colleagues who aid the millions of displaced researchers from Ukraine, which allows them to continue their research and innovation activities everywhere around the world. Yes, it's difficult, but with the help from your side we are managing.

Our researchers right now have the possibility to use equipment in European institutions. Furthermore, Ukrainian researchers and innovators have the possibility to use online tools. Of course, it's still not enough for Ukraine, but it is very important support from your side. Finally, let me express one more time our thanks and our gratitude to our foreign partners. Unfortunately, our Deputy Minister couldn't join us due to health issues, but he sends to all colleagues his warmest greetings. Thank you very much and I hope we'll discuss all the needs and all current problems from Ukraine's side during the meeting."

Mr. Maier thanked Mr. Taranov for his remarks and handed the floor over to the Senior Deputy Executive Director, Mr. Myola Lubiv, who added the following remarks from the Ukrainian side. "First, I would like to thank Ms. Insley, Ms. Pauwels, and Chairman Maier for their kind words in their opening remarks. I would like to again apologize for the inability of the Ukrainian Board member to participate in today's meeting. It has been a difficult six months since our last meeting in Brussels and we also expect and are preparing for new challenges during the upcoming winter period. Nevertheless, as you will be able to hear today in the Executive Director's report, the STCU continues to effectively fulfill its mission and provide the maximum possible assistance to the Ukrainian scientific community and Ukrainian scientific institutions, which as you know, are experiencing difficulties in their activities right now. I also want to use this opportunity to express once again, from the bottom of my heart, thanks to our partners and friends in the European

Union and the United States for their consolidated and powerful support, not only but primarily to our Ukrainian scientists. I would like to assure you that Ukrainian scientists sincerely appreciate your support, and this gratitude is reflected in the numerous of emails and phone calls that the STCU receives daily.

It is worth noting separately the courage and the hard work of the STCU employees to continue to perform their duties under constant tension and daily challenges. A special thanks to the Executive Director for his leadership during this difficult time. And as of today's meeting, I hope that Mr. Taranov will stay on the call with us for as long as he can, but it is my understanding that the Ukrainian Party will fully support today's agenda, Record of Decisions, and Funding Tables which will be presented later. Once again, I present my deep gratitude to everyone for your understanding and for your help, which will remain in the memories of Ukrainian scientists for decades. Thank you all."

Mr. Maier thanked Mr. Lubiv for his remarks and next welcomed opening remarks from the Executive Director.

Mr. Bjelajac stated: "Dear Board Members, Colleagues, and Friends of the STCU, the last time we met in such a formal manner was at the beginning of May, when the war was only a few weeks old. The area around Kyiv had only just been liberated from Russian forces, and the STCU could take a collective sigh of relief, if only for a moment. Over the course of the last six months, the STCU team (which includes all of us on this call) have carried on despite the turmoil and emotion involved with the war in Ukraine. Unfortunately, these days any time you mention Ukraine, the topic of conversation invariably is dominated by a discussion of the latest in Ukraine's fight for its sovereignty, democracy, and freedom.

Today, we will have to focus part of our time on the effects on the war in Ukraine (especially in relation to STCU's infrastructure – especially IT), but I would like to also keep in mind that despite the war, life goes on in Ukraine and at the Center as well.

Today we will discuss a year within which the Governing Board will approve approximately \$8.1M in new project funding (on the low end of average funding at the STCU) for the year, but in some ways extraordinary given the circumstances. As of this moment, only nine projects have been suspended (unfortunately, STCU suspended a private sector partner project on Wednesday evening), and only one was terminated. Furthermore, except for the audit of the December 31, 2021, financial statements, most initiatives that were shown as delayed at the last Governing Board were completed by this Governing Board.

All the accomplishments would not have been achieved without the collective effort of the STCU team, which I would like to thank in turn. First, I would like to thank the STCU Secretariat, 2/3 of which are still in Ukraine. Every morning the STCU team checks on each other's well-being by wishing each other "Good Morning" in our STCU group chat, as well as after every missile strike on Kyiv. What would have been considered unthinkable in the past has now become routine. As of today, all members of the STCU team are safe, healthy, and doing their best to take care of their families, as well as their responsibilities at work. I will be forever grateful to every one of them.

Which brings me to thanking our American, European, Georgian, Moldovan, and Azerbaijani friends. Starting a year ago (when prompted to plan for the unthinkable by Mr. Scheland) and up until now, the STCU team knows that our friends are there for us when we need you. Eddie, Natalie, and Sorin are close by, and I have been fortunate to see them a number of times in the past months (including yesterday's road trip with Sorin to meet the EU's latest project with mine-sniffing dogs). Furthermore, Kate, Barbara, and the entire CTR team have made themselves available whilst in person during trips to Brussels and Berlin, as well as online during Zoom meetings for various projects. Of course, our Ukrainian colleagues at the Ministry of Education and Science have always been there and will always be there for us, and for that, we are always thankful. Please know that your support is appreciated, valued, and will continue to be needed in the months to come. Thank you from myself as well as on behalf of the STCU team.

In conclusion, I very much look forward to today's meeting, which will lay the foundation for the success of the STCU in the New Year. This success, even though small in scale, will help Ukraine overall on its path to victory, which is what all of us want to see. Thank you."

There being no additional opening remarks, the Chair moved on to the next item of business.

## **2.1 Review and Approval of the 55th GB Agenda**

The 55<sup>th</sup> Governing Board agenda was accepted as presented.

### **3.1 Review and Approval of the minutes of the 54th GB Zoom meeting conducted on May 4, 2022**

The Governing Board approved the minutes as presented with the requested minor changes of the U.S. and EU Parties.

### **3.2 Review of 55th Draft Record of Decisions & Funding Sheet**

The ED walked the meeting participants through the draft 55th Record of Decisions and Funding Sheets (projects and supplemental budgets) which the Secretariat will ask the GB to approve of at the end of the Zoom meeting.

The Executive Director called the Board's attention to the fact that in the draft Record of Decisions highlighted in red, the STCU originally hoped to receive the Board's approval for the December 31, 2021, audited Financial Statements and management letter, but unfortunately, the STCU did not successfully complete those in time for the Board to consider. Thus, this decision will be removed from consideration at this meeting and postponed for consideration at the 56<sup>th</sup> Governing Board in the Spring of 2023.

The ED concluded by asking if there were any comments or questions related to the documents as presented. There being no questions, the ED moved on to the next agenda topic.

### **3.3 Executive Director Report**

The Executive Director introduced the next topic a summary of the ED Report:

- Status of STCU

STCU currently working at or about 100% despite the intermittent electricity issues in Kyiv/Ukraine.

- Personnel

As of December 2, 2022, eight (8) members of the STCU were located outside of Ukraine as follows: Belgium, Canada, UK, Montenegro, Germany, Switzerland, Spain, and France. The ED pointed out that most people went to a location where they had friends or family. BJ, Anthony, and Mykola departed Ukraine before the start of the invasion on February 24<sup>th</sup>.

- Physical Resources

The ED continued by informing the Board that as of December 2, 2022, Kyiv is experiencing 2 – 3 scheduled blackouts per day. As a result of these blackouts, the STCU team in Kyiv is having to plan their time around when they will have access to the STCU servers. As a result, STCU is currently in negotiations to move the financial software (Navision, a Microsoft product) to Microsoft's cloud service (Azure). The ED continued by stating that there are some servers (physical servers) that cannot be moved to the cloud because of software compatibility issues and so the STCU is looking at moving the actual physical servers to Kyivstar (STCU's internet provider and the largest mobile provider in Ukraine) or to the EU (i.e. Slovakia). Finally, in the last days, Kyiv Polytechnic Institute turned on the heating system and then turned it off again within the STCU's offices, thus a lack of heating could cause problems for the servers as well. The ED summarized the STCU's position by stating that the STCU believes that it will need to move the financial servers to the cloud, as well as possibly the remaining servers (physical) to the premises of Kyivstar (STCU's internet provider and the largest mobile operator in Ukraine who has better infrastructure – generators, heating, etc.) because of ongoing power and heating outages in the STCU's offices. If the situation in Ukraine degrades even further, and Kyivstar is unable to keep the STCU physical servers powered and warm, the STCU would then consider moving the physical servers out of Ukraine to Slovakia. STCU considered other options (i.e. batteries, diesel generators, etc.) but does not see these as 100% long-term sustainable. In addition, the cost to move the STCU's equipment to Kyivstar or the EU is minimal (\$3K-5K start-

up plus \$1K-\$1.5K monthly). The ED stopped there and asked if there were questions or comments as this was one of the most important topics of the day.

Mr. Taranov thanked the ED and stated that the Ukrainian Party tentatively agrees with the STCU's proposition for the medium (Kyivstar) and long-term (EU-Slovakia) solutions. The Ukrainian Party would like to review the contract agreements with Kyivstar to ensure that all issues are in keeping with the STCU Agreement (i.e. data security, etc.). Furthermore, Mr. Taranov emphasized that it is important for the STCU to stay and keep activity in Ukraine as it is very good solution for everyone. Mr. Taranov stated that moving the servers out of Ukraine should be considered only as a last option.

Ms. Pauwels then followed up with the question as to the duration of any movement of servers at the STCU – which server moves were permanent and which moves were temporary? The ED clarified that the move of the financial servers (Navision) to the cloud would be permanent; however, the physical move of the remaining servers to Kyivstar (or in worst case – EU) would be temporary (they would be moved back as soon as the power and heat in the STCU offices stabilized). Ms. Pauwels thanked the ED for his response and stated that she understood and agreed with the Ukrainian Party's apprehension at moving the physical servers out of Ukraine and that this should be agreed to by the Board, if in the future the STCU believes that this needs to be done. She concluded by stating that she was thankful that the situation is not so bad that the GB needs to consider this move as of today.

Ms. Insley thanked her Ukrainian and EU colleagues for their input, and then stated that she had the following two questions: 1). What is the threshold for moving the servers to Kyivstar or outside of Ukraine? and 2). What is the lead time required to move the servers to Kyivstar or outside of Ukraine? The ED thanked Ms. Insley for her thoughtful questions and responded that in relation to the first question we need to focus on two factors: heat and electricity. He continued by stating that if you don't have heat, you run the risk of condensation (overnight temperatures in Kyiv will be firmly negative) and damage to the equipment. The ED stated that any loss in heat at the STCU or Kyivstar would mean that the STCU would consider moving the servers. In the case of electricity, the ED continued by stating that four-hour blocks of electricity availability are sufficient for the STCU team to plan and complete their work. The ED continued by stating that he was uncomfortable to state definitively what the minimum blocks of time would be for the STCU to continue to complete its duties. However, he ventured a guess that anything below 3-hour blocks of time would probably cause difficulties. In the end, the ED stated that he would speak with the team, and they would inform him of their ability to work and then he would pass that on to the Governing Board. The ED concluded by answering Ms. Insley's second question (how long it would take to move the servers) by stating that it should only take days to physically move the servers. Ms. Insley thanked the ED for his responses to her questions.

Finally, to wrap up this discussion on STCU infrastructure (heat and electricity), the ED stated that going forward the STCU will perform the following next steps:

1. Finalize work with Kyivstar to move the financial servers (Navision) to the Microsoft Cloud (Azure).
2. Finalize work with Kyivstar (review of terms of service and contracts) and the Ukrainian Party to be prepared to move the remaining servers to Kyivstar if the situation at the STCU degrades further. If the STCU believes the physical move to Kyivstar needs to happen, it will inform the Governing Board first and ask for its approval.
3. If the situation in Ukraine degrades to such a degree that even Kyivstar has issues with infrastructure, the STCU would consult with the Governing Board and consider moving the physical servers to the EU (i.e. Slovakia). This decision would also require the approval of the Governing Board.

Ms. Insley thanked all for the discussion and stated that despite there not being a need to take a decision today, the Parties are now better prepared to take a decision if necessary. Ms. Insley went on to state that the U.S. Party agrees with the approach proposed by the STCU. Ms. Insley also went on to emphasize that it is not lost on the U.S. Party how horrifying the situation must be for our Ukrainian colleagues who have children, grandparents, elderly parents, and just everyday Ukrainian people who are dealing with these energy shortages amid winter. Ms.

Insley concluded by stating that she just wanted to acknowledge this horror and her admiration for the Ukrainian people that are put in a position to have to endure it.

The Chairman thanked Ms. Insley for her thoughtful comments and commended the STCU Secretariat for preparing strategies to ensure the safe and effective operation of the Center in these difficult times. He continued by emphasizing that having different levels of approach depending on the situation, which is of course, moving every day, is extremely important. There being no other questions or comments, the Chairman asked the ED to continue with his report.

- Human Resources

The ED went continued with his report and highlighted for the Governing Board that the lack of electricity causes not only issues for STCU's physical resources (i.e. servers, etc.), but also issues for the approximately 2/3 of the team that are still at home in Ukraine. The ED continued by stating that If electricity becomes an issue at home for the team located in Ukraine, the STCU would ask the team to get access to power and internet where possible (cafes, coworking spaces, etc.). If that approach didn't work, and the STCU's productive capacity dwindled, the ED advised the Governing Board that the Center might need to triage STCU activities into the following three categories:

1. Non-UA projects (Nuclear Forensics, P088, etc.) would be serviced as the highest priority
2. UA projects that can still work, would continue to be serviced where possible
3. UA projects that can't work or be serviced may need to be suspended

The ED emphasized to the Governing Board that a "one size fits all" approach would not work, as the STCU would need to work with each individual project to determine its ability to continue and the STCU's ability to service it. Thus, the ED emphasized that the STCU is not coming to the Governing Board to ask for a Board decision at this time, but the Center would like to give the Board an idea of what the Center would do if the loss of human resources (due to inability to access power) became acute. The ED concluded by stating that he would be in constant communication with the Governing Board if the Center saw large chunks of projects that couldn't be serviced for some reason. At that point, the ED stopped and asked if there were any questions or comments.

Ms. Pauwels stated that she found this to be a very pragmatic approach which the EU supports going forward.

Ms. Insley thanked the ED for this summary and agreed with Ms. Pauwels that this is a reasonable strategy going forward. Ms. Insley continued by stating that she had the following two questions: 1). What can the Governing Board and Parties do to support STCU operations and keep current projects under way, and more specifically are the institutes or other organizations contacting the STCU and requesting infrastructure related support (i.e., generators)? and 2). When the STCU reviews new project proposals is it taking into consideration factors like location, ability to carry out the work virtually, etc.?

The ED thanked Ms. Insley for her insightful questions and answered them as follows: 1). The STCU has not had any requests for generators from institutes or organizations that the center collaborates. It is the STCU's understanding that these organizations are taking the same approach as the STCU and working in shifts with power banks, etc. Furthermore, the situation is relatively stable (power is available in blocks), thus if the situation was to continue to degrade, it is possible that the STCU would see requests for generators, but as of today it has not had such requests; and 2). In relation to new projects, the ED asked that the GB table this question and come back to it in the upcoming section of the ED report about new project funding. All agreed to table and discuss later, so the ED carried on with the remainder of the ED Report.

- What can't be performed

The ED continued by stating that it is still very difficult for those in Ukraine to travel abroad because of the need to travel by train or car to the border, as well as the long lines at the border (going both in and out of Ukraine). The ED pointed out that yesterday he and Sorin visited a new EU project (mine-sniffing dogs, which will be discussed

later in the ED report) near Antwerp where the ED had the privilege of speaking to some Ukrainians who mentioned that it took them almost two days to get to Belgium. Thus, international travel for those located in Ukraine is still a difficult problem.

- **Due to the UA Army's offensive in September, the threat to Kharkiv was reduced**

The ED called the Board's attention to the fact that with the success of the Ukrainian Army in pushing back the Russians in and around Kharkiv in September, Kharkiv is no longer experiencing the shelling like it experienced back in April during the last ED report. The ED did mention that despite the reprieve, in a conversation with a scientist from KIPT, this person informed the ED that KIPT was hit (by shell or missile) approximately 100 times to date.

- **Non-Government projects stopped**

At the previous Governing Board (May '22) the ED called the Governing Board's attention to the possibility that the STCU's private sector projects may decrease and even potentially dry up completely. Unfortunately, the ED pointed out to this Governing Board that this was indeed the case and the STCU did not sign any new private sector partner projects (except one amendment) in 2022. The ED returned to Ms. Insley's question about new projects and should the STCU assess whether to start work on new projects, by stating that the matter seems to be resolving itself – the STCU is signing much fewer new projects (especially private sector projects).

- **Only two large projects (one EU and one U.S.) signed/and three new partners added since Invasion**

Further to the earlier question of Ms. Insley about assessing whether to sign new projects, the ED called the Governing Board's attention to the fact that the Russian invasion has caused an almost stop to newly signed projects (only two large projects, both government projects, were signed since the start of the invasion), as well as to new partner applications to the STCU (only three new partners added – all Government partners). Finally, the ED concluded this section by stating that the good news is that the STCU to date was only requested to terminate one project (in Kharkiv).

- **Update on SMR, Fellowship, Cyber-Security, and Mine Sniffing Dog Projects**

The ED informed the Governing Board about the status of all these projects.

- **STCU funding on the low end of its recent history (\$8.1M), with two large projects comprising 2/3 of total funding**

A. The ED informed the Governing Board that as reported at the previous 54th Governing Board, the flow of new projects STCU signed slowed drastically (understandable given the RF Invasion), and as a result, 2022 is on the low end in new funding approved. The two large projects signed were as follows:

1. \$1.5M from U.S. DOS/ISN/WMDT for Chemical Project in Georgia
2. €3.6M from EU-INTPA for dosimeter project in Chernobyl region

- **Good News for start of 2023 (~\$11.0M of possible new projects to be signed at the start of 2023).**

The ED informed the Governing Board that the STCU was scheduled to sign the following list of new projects in early months of 2023:

1. €1.8M from DG-INTPA for an Addendum to the PChP project to increase funding for Stage 3 of the project  
**– signed on Nov. 17th**
2. €3.4M and €1.9M (total €5.3M) from DG-INTPA for two projects to remediate the effects of the Russian invasion of the Chornobyl area.
3. ~\$2.6M from Norway and U.S. DOS/ISN/WMDT to join the new project with DG – INTPA for modernization of dosimetric systems in Chernobyl zone. This collaboration came as a result of meetings at the IAEA in Vienna in September and GP meetings in Berlin in October.
4. ~€1.0M from DG-FPI for an Addendum to Project 088: "Strengthening of CBRN Medical Preparedness and Response Capabilities in SEE countries"

The Executive Director concluded his ED Report by stating that if all the above projects were signed, 2023 would be off to a very good start (~\$11.0M). The ED then asked if the GB had any questions or comments in relation to the ED Report.

Mr. Popa stated that he could add to the good news for 2023, because within the first quarter of 2023, the EU is planning to ask the STCU if it can manage the CBRN Centers of Excellence Project 100, which will work on Biosafety and Biosecurity with frontline officers. This project would be implemented in coordination with the STCU's scheduled field exercise on the same topic. Mr. Popa went on to state that he believes that the project and the exercise should be implemented by the same team, as lessons learned during the field exercise could be used as input for the project. Mr. Popa concluded by stating that in addition to the aforementioned large bio project, the EU is also preparing to send fresh funding for smaller activities as well, such as a renewal of the EU's scientist engagement program.

The ED asked if there were any additional comments or questions related to the ED Report. There being no additional questions, the ED moved on to the next agenda topic.

### **3.4 Update on 2022 AOB/SB Expenditures**

Mr. Nichol started his report with updating the Governing Board members on the status of the audit of the December 31, 2021, financial statements. He mentioned that the issuance of the audit report and management letter was delayed because of the effects of the war and power cuts. Mr. Nichol concluded by stating that he does expect the audit report and management letter to be made available to the Governing Board before the end of 2022, with it submitted for review to the 56<sup>th</sup> Governing Board meeting in the Spring of 2023.

Mr. Nichol moved on to his report on the 2022 AOB and SB actual expenditures and highlighted the following during his presentation:

- ✓ The approved 2022 AOB was \$766,000 with estimated actual year to date expenditures of \$671,300, which represents 88% of the budget. The expected surplus is \$141,000 including partner fees, interest, and exchange gains.
- ✓ Mr. Nichol called the Governing Board's attention to the Contingency budget line item which has a budget of \$10,000 but is forecast to have an actual amount expended of \$15,000. This represents a greater than 10% overspend which requires Board approval, so the STCU has included this approval in the draft record of decisions. Mr. Nichol highlighted that the reason for the overspend was due to the Russian invasion resulting in unexpected costs related to IT equipment, moving servers to the cloud, and relocation of staff.

Mr. Nichol concluded his presentation and there being no questions or comments, he moved on to the next agenda item.

### **3.5 2023 AOB and SB Budget Request**

Mr. Nichol presented the 2023 STCU Annual Operating Budget request and stressed that the budget is driven by the STCU's forecasted project activities in the upcoming year, as well as three additional factors discussed below. Mr. Nichol pointed out that the 2023 estimated project expenditure will be ~\$10.0M which can be derived by looking at the balance for DCC Projects at December 31, 2022 which will be ~\$28.0M and dividing by three (the average amount of years of an STCU project). Mr. Nichol stated that the 2023 AOB request is \$827,000, which is a slight increase compared to the approved 2022 AOB (\$766,000).

Mr. Nichol drew the Board's attention to the three drivers of the increase:

- ✓ Public Affairs budget reinstated (not used in prior years) and \$36,000 added to it for 2023
  - a. Hire Public Relations firm (to be discussed in agenda item 3.7)
  - b. Improve STCU website and annual report
- ✓ Other Professional Services increased by \$18,000

- a. Increased due to costs associated with moving finance server to the cloud and any other actions we must take in relation to electricity and other problems at the office
- ✓ Contingency
  - a. In view of the continuing unstable situation considered prudent to raise this budget line.

Mr. Nichol concluded his presentation by showing a slide with the pictures of all the entire STCU team. He mentioned to the Governing Board that they only see himself, the ED, and Sr. DED at the Governing Board meetings, but he wanted to introduce the team as what they have achieved over the year is truly remarkable. He started by introducing the senior specialists who are managing the technical aspects of the projects for the STCU. He then moved on to the procurement officers and are responsible purchasing all of the equipment, services, etc. that are increasingly needed by the STCU projects. He highlighted our customs person who is key in getting everything into and out of the GUAM countries for us. He highlighted the Deputy Chief Financial officer whose main purpose is to make Mr. Nichol look good (Comment from the editor - and she does an excellent job of that!). He carried on by introducing the remainder of the finance team. He continued by introducing the IT team, who, with all the problems the STCU has had with power cuts, have been simply outstanding. Finally, he heralded the support and admin team who look after the entire organization. Mr. Nichol concluded by saying, "And this is our team at the STCU, who have been particularly outstanding this year, achieving remarkable things, and I want to emphasize how privileged I've been to have worked with them."

Mr. Nichol concluded his presentation, thanked the meeting participants for allowing him to introduce the STCU team, and asked if there were any questions or comments. Ms. Pauwels thanked Anthony for his presentation and acknowledged the fact that you can even hear from his voice how he feels about his team and all the staff that have really worked so hard. Ms. Pauwels went on to commend the team as well on having done a great job with the budget given the circumstances. She went on to mention that the French have a saying, "chapeau" which is apt for this moment, and concluded by congratulating all for the great work done and mentioned how very nice indeed it was to see the faces of the team that are working so hard. There being no other questions or comments the Governing Board moved on to the next agenda item.

### **3.6 Presentation of 2021 Annual Report**

The Governing Board approved the 2021 Annual Report as presented.

### **3.7 Public Relations (Countering Russian Disinformation)**

The Executive Director presented the Governing Board with results of the competitive tender for a PR firm, conducted in close cooperation with the ISTC. The Centers selected the proposal from Wooden Horse Strategies (WHS), the public relations firm with experience working in both Ukraine and Kazakhstan. The ED continued by stating that both Centers are now editing a Public Relations strategy document which will be sent to the Parties in short order for review and approval. The goal is for the Centers to sign separate contracts with WHS and start the implementation of the approved PR strategy early in the new year. The ED informed the Governing Board that their approval today is not required, but they should be aware of the progress on this issue to date.

### **3.8 Discuss/Approve 56<sup>th</sup> Governing Board Schedule**

The Governing Board expressed its desire to conduct the 56<sup>th</sup> STCU Governing Board in person, if possible, with the following options to be considered/decided in the first months of 2023:

- If the security situation allows it, the first choice would be to have the Board physically in Kyiv in the Spring (May/June)
- If Kyiv is not possible, the ED will work with the U.S. and EU (the Ukrainian Party would more than likely still participate remotely) to determine if there will be a location that the U.S and EU Board members will already be meeting (i.e. Washington D.C. or Brussels) such as was the case in October '22 (Berlin and Brussels) for the GP and Export Control meetings.

- The ED will also look at coordinating the 56<sup>th</sup> STCU Governing Board with the ISTC's CEC which occurs in the Spring.
- If none of the above works out, the Governing Board will all consider another remote meeting for the 56<sup>th</sup> Governing Board and look to the 57<sup>th</sup> Governing Board meeting in the winter for a physical meeting (with Kyiv as the first choice again).

### **3.9      Finalize 55th GB Record of Decisions and Funding Sheets**

The Governing Board approved the 55th Governing Board Record of Decisions and Funding Sheets as presented and instructed the Executive Director to start the signature process.

### **3.10     Any Other Business (AOB)**

The ED informed the Governing Board that immediately after the meeting, the STCU will ask the Governing Board for a positive concurrence (not to wait for the normal 30-day negative concurrence) on a new Italian partner (GE Avio S.r.l., a subsidiary of the famous U.S. Company – General Electric). This partner is the Head of a Consortium working with the Kharkiv Aviation Institute on a project as part of the European Union's Horizon Europe (administered by the EC's DG-RTD). The STCU will provide more details in an email after this meeting, but the Center asks for the Governing Board's swift consideration, so that it can start this important project that will help our Ukrainian colleagues in Kharkiv. The Italian partner and the Kharkiv institute are hoping to sign and start the new project with the STCU before the end of the year.

### **4.1      Closing Remarks (where possible, and for accuracy, most remarks are transcribed in their entirety)**

Mr. Maier started off the closing remarks himself by stating, "Thank you very much to the Secretariat for the fantastic job you're performing. I don't want to make long remarks because we are very short on time, and I would like to give the opportunity to the other GB members to speak. However, I would like to say good luck to everybody, especially those living in Ukraine, still in Ukraine. Hopefully you will have no shortage of electricity, water, and heating. I send all our Ukrainian colleagues my best wishes. Merry Christmas and God bless Ukraine."

Mr. Maier then welcomed closing remarks from the U.S. Party.

Ms. Insley made her closing remarks as follows: "Thank you Mr. Chair. I'll be very brief as well. On behalf of the U.S. Party, I want to again extend our deep appreciation to the chairman, the ED, the Sr. DED, the Secretariat, and to all the parties and participants in this Governing Board meeting. The work of the STCU has never been more important than in this moment, and the entire team deserves enormous credit for continuing this work during such a horrific war. Thank you all for your partnership. We look forward to continuing to support the STCU and our Ukrainian partners. I would like to say to the STCU and to all our partners, especially our friends and colleagues in Ukraine, you are never far from our minds. Thank you."

Mr. Maier then welcomed closing remarks from the E.U. Party.

Ms. Pauwels made her closing remarks as follows: "I don't have much to add to what was eloquently said by the Chair and Ms. Insley. I too will keep it very short but wanted to ensure that I thanked you all very much for this meeting and wanted to pass on our warmest, heartfelt thoughts to all our colleagues in Ukraine, especially for the coming Christmas season. We wish them all well, and all of us not in Ukraine as well, for the upcoming holidays and look forward to seeing you on the next occasion. Thank you very much."

Unfortunately, the Ukraine Party was not available for closing remarks, so Mr. Maier turned to the Executive Director for his closing remarks.



The Executive Director's closing remarks were as follows: "Thank you Mr. Chair. I would like to thank all on this call for a very productive meeting. The team and I got exactly what we needed from the Governing Board, which is your sage advice and support on what to do going forward given the difficult circumstances. Working together, as usual, to achieve consensus makes things much easier. The STCU will continue to work with our Ukrainian colleagues at the Ministry of Education and Science to ensure that the IT infrastructure is safe and functional, be it at the STCU offices, Kyivstar, etc.. Of course, we will ask for the approval of the Governing Board if we agree with the Ukrainian party that the IT infrastructure needs to be moved from our offices to a new location within Ukraine. Finally, if we do feel that the situation is so bad in Ukraine that we would have to move the servers outside of Ukraine, we would also ask the Governing Board for its permission to do so, and work with our Ukrainian colleagues to make sure that it happens in an orderly manner. The STCU would welcome the ability to go back to normal, go back to the office, have heat, have electricity, and be able to see our fellow team members in person. We very much look forward to that moment. The sooner the better."

So, with that, I will conclude by wishing everybody the best. Those of you that are traveling to Bishkek for the ISTC Governing Board meeting next week, I will attend the meeting virtually, and I look forward to seeing all of you again and talking to you very soon, next week or the next days. Happy New Year to all. Thank you."

Mr. Maier thanked all for their warm closing words and active participation in the day's meeting.

There being no further business to discuss, the remote meeting was concluded.



## Executive Director Report

(Reporting Period: Nov. 12, 2022 – May 26, 2023)

### Party Issues

#### Impacts of the invasion of Ukraine by the Russian Federation

#### Personnel (Current Location)

Kyiv or Kyiv Region	Outside of UA*	Total**
17	6	23

\*Canada, UK, Belgium, Spain, Germany, and France

\*\*Not including Three Regional Officers in (GE, MO, and AZ)

#### Physical Resources (Office, Servers, etc.)

As of the writing of this report, the STCU office located at 7a Metalistiv Street is undamaged and has power and other utilities most of the time. This is obviously a colossal change from the situation at the time of the previous Governing Board meeting (55<sup>th</sup>) back in December 2022. The STCU continues to work to move the STCU financial database (Navision) to the cloud (MS-Azure) but has paused the move of the STCU's servers for now.

Thus, as of the date of this report, the STCU is still operating at 100%, with only difficulties in travel from UA (as described below).

#### What STCU Operations are currently difficult to be performed

All project operations in general can be performed with the following exception:

The provision of travel services for Ukrainians inside Ukraine to travel internationally (no airports, etc.) is very difficult, and several Ukrainians are choosing not to travel. Men under 60 years old cannot leave Ukraine (without special permission) as per the conditions of martial law currently in place in Ukraine. Women can leave Ukraine; however, travel from Kyiv for example, is very difficult. A woman traveling from Kyiv would need to train from Kyiv to Poland (Przemyśl, Chelm, or Warsaw) and then bus to Warsaw or Krakow airport. As mentioned above, we do have some staff already located outside of Ukraine, so if we need STCU staff to support an event outside of Ukraine (i.e. Chem/Bio Prosecutor Workshop this past April), then we can consider sending a staff member already located outside of Ukraine. Travel times to Western European cities are quite long with travel to Warsaw taking around 18 hours and travel to Brussels around 24 – 36 hours depending upon connections and ii travelers stop to overnight on their way.

All other STCU operations with some delays and minor exceptions can be performed currently.

## Status of Projects

### Overall

Overwhelmingly, most partners (both GP and NGP) continue avoid for the most part the suspension/termination of their projects. As of the printing of this report, only one project remains suspended (in Kharkiv) and since the last GB, the STCU terminated another project (also in Kharkiv – for a total of two since the invasion). Most partners have expressed to the STCU their desire to continue their projects (where possible) as they understand the financing helps the scientific teams (thus helps Ukraine) during this very difficult time. STCU continues to be concerned about projects located in Kharkiv (as of today it continues to suffer missile and suicide drone strikes from the Russian Federation) and non-government funded partner projects (private companies are much more risk averse to the security situation than GP projects). An analysis of these areas of concern are shown below. As of the printing of this report, the STCU has sixty active and suspended projects broken down as follows:

### Breakdown of Active and Suspended (shown in brackets) Projects by Location

Kyiv	Kharkiv*	Other UA**	GE, AZ, MO***	Regional	Total
21	17 (1)	7	6	8	60

\* As a result of invasion two projects were terminated in Kharkiv.

\*\*Chornobyl (2), Kamianske (1), Lviv (2), Dnipro (1) and Yuzhnoukrainsk (1)

\*\*\*Tbilisi (4) and Chisinau (2)

### Breakdown of Active Projects and Suspended (shown in brackets) by Type of Partner

Government	Non-Government*	Total
49 (1)	10	60

\*Kyiv (6), Kharkiv (2), Dnipro (1), and Tbilisi (1)

Finally, another indication that the invasion will have an impact on future turnover is that there were only three (3) new partners approved in all of 2022 and only three at this 56<sup>th</sup> Governing Board. It appears the invasion has slowed the flow of new partners wanting to join the STCU, with new NGP partners almost drying up completely.

### Events Postponed/Delayed because of War - Update

- December 31, 2022, Financial Statement Audit (likely completion date is Fall '23 and will be presented to 57<sup>th</sup> GB in Fall '23).
- Reconciliation of Contribution Agreement #NDICI2021 428-196 – requested the EC (which approved) for an extension of deadline from April 30, 2023, to August 31, 2023.



### Update on USTDA SMR Project

On December 15, 2021, STCU signed an agreement with USTDA to act as a facilitator for a project with NuScale Power (USA) and the State Scientific and Technical Center for Nuclear and Radiation Safety of the State Nuclear Regulatory Committee of Ukraine to perform a gap analysis of Ukrainian regulatory requirements for nuclear reactor technology and NuScale's Small Modular Reactor technology.

The STCU is acting on behalf of the State Nuclear Regulatory Inspectorate of Ukraine to facilitate their input into the NuScale/SSTC project. As of the writing of this report, the project is on schedule and the STCU is active on bi-weekly NuScale conference calls. The project is scheduled to complete on time in a couple of months (Summer '23).

### Public Relations

Since February '23, the STCU has worked closely with Wooden Horse Strategy (WHS) to schedule eight (8) social medial posts (Facebook and LinkedIn) per month. The posts range in content from announcements of new opportunities (fellowships, etc.), to links to good articles about Russian disinformation, as well as to news about STCU (conferences hosted, etc.).

Furthermore, WHS and STCU work closely to monitor the information space for mentions of STCU (both positive and negative). WHS and STCU alerted each other to the press conferences of the Ministry of Defense of the Russian Federation conducted on March 10th (focused on some STCU scientists) & April 14<sup>th</sup> (focused on STCU's conferences as a recruiting tool) and worked together to closely monitor the information space for mentions of the two science centers.

Finally, WHS provides periodic media monitoring summaries and statistics for both Center's social media accounts.

### STCU organizes EU FPI funded Workshop on Prosecuting Chemical and Biological Crimes in Rzeszow, Poland

From April 3<sup>rd</sup> to 7<sup>th</sup>, the STCU in coordination with UNICRI organized a workshop funded by EU FPI for Ukrainian government professionals addressing the prosecution of chemical and biological crimes. The workshop was conducted in Rzeszow, Poland and included thirty (30) representatives of Ukraine's State Border Guard Service, Security Service, State Emergency Service, Office of the Prosecutor General, and the Armed Forces of Ukraine.

The workshop was titled "Building a Case for Prosecution of Chemical and Biological Crimes". Topics presented by international instructors ranged from investigating and prosecuting chemical and biological crimes to undercover chemical, biological, radiological, and nuclear investigations to international assistance in investigations and extraditions.



### STCU working with multiple donors to fund large project in Chernobyl Exclusion Zone

As reported at the prior Governing Meeting (55th), STCU signed a €3.8M project with EC's DG-INTPA (nuclear safety) to implement the second phase of a project for the "Modernization of Dosimetric Control Systems in the Exclusion Zone and Environmental (Radiation) Monitoring at the «Vektor» Complex and the «Buriakivka» Disposal Facility". Phase 1 developed and obtained regulatory approval of the required design documentation, as well as technical specifications for procurement of the required systems and equipment to upgrading (i) environmental radiation monitoring of the Vektor Complex and the Buriakivka near-surface disposal facility and (ii) dosimetric control within the Chornobyl Exclusion Zone (ChEZ). Phase 2, implemented by the STCU, will involve procurement of the defined systems and supplementary equipment, their installation, commissioning, and training of staff. Phase 2 of the project commenced in April 2023, with expected completion in 2025.

The EC's financial commitment of €3.8M mentioned above, represents only 40% of the required funding for the project, the remainder was to be financed by Ukraine. However, since the start of the Russian invasion and occupation of the ChEZ in February and March 2022, there is an increased urgency for implementing the entire project, such that both nuclear and radiation safety and security can be optimized in this area. As a result of the IAEA meetings in Vienna in Sep. '22 and GP Meetings in Berlin in Oct. '22, Norway's DSA, the UK's GNSP, Canada's DFAIT, and the U.S.'s DOS/ISN/WMDT have all come forward and expressed an interest in funding the shortfall in this important project. As of today, DSA put forward 5M Norwegian Krone (~\$470K), GNSP offered \$605K, and WMDT is considering providing \$1.8M. At the time of printing this report, Canada was still evaluating this project for funding. The hope is that all funding will be finalized so that a large, multi-donor project will move forward shortly to address the issues at the ChEZ.

### EU Project to Strengthen Front Line Biosafety and Biosecurity Measures in SEEE Region signed on April 30th and started on May 1st, 2023

On April 30, 2023, the STCU signed a 3-year contribution agreement (Agreement # NDICI/2023/443-394) with the EU which provides ~€2.0M of funding to strengthen and enhance front line biosafety and biosecurity capabilities in the South East and Eastern Europe (SEEE) region of the EU CBRN Centers of Excellence initiative partner countries in order to ensure minimization of bio hazard induced health consequences, human and economic losses following the violation of safety and security regimes on state borders and customs clearance zones related to bio threat monitoring and response.

The STCU has assembled two of three required key experts for the project who have begun to draft the inception documentation. The priority for the STCU is to find the third expert so that the team is at full-strength and can complete the planning stage of the project.



### EU finances two SB activities to facilitate the demining of Ukraine

#### **STCU to Continue to Train and Deploy Mine Sniffing Dogs**

In mid-June 2022, the EU contacted the STCU to start a supplemental budget activity to purchase and train dogs that can detect mines with their sense of smell. The effort is a combined effort of DG FPI and experts from DG HOME. The STCU signed contracts for the purchase of nine dogs in Sept/Oct '22 that underwent training by European trainers and eventually were introduced to their Ukrainian handlers the last two weeks of February 2023. On March 3<sup>rd</sup>, a formal handover ceremony was conducted (attended by the STCU ED and Sorin Popa) where the nine dogs were formally handed over to their Ukrainian handlers. The very same day (March 3<sup>rd</sup>) the dogs and their new Ukrainian handlers departed Southern Poland for Ukraine to start work.

Given the success of the first batch of nine (9) dogs, the EU's Service for Foreign Policy Instruments (FPI) has requested that the STCU work with DG HOME to procure eleven additional (11) dogs to be trained and handed over to the Ukrainian authorities sometime in the Fall of 2023 (Oct./Nov.). As of the publishing of this report, the STCU has worked with DG Home to procure the dogs and training has already begun.

#### **STCU Purchased Drones that Detect Metal for De-mining**

In mid-September 2022, the EU contacted the STCU to request it to work with colleagues from DG Home to purchase ~€150K drones that could facilitate the mine sniffing dogs above in detecting mines (with the use of metal sensors) in large areas (i.e. agricultural fields). During laboratory testing the drones have shown promise, and now DG HOME is looking to implement the drones in Ukraine in the hope that the drones could speed up the clearing of large land areas of mines and unexploded ordinance. As of the publishing this report, the STCU purchased two (2) drones and they were scheduled for delivery to Ukraine the week of May 29<sup>th</sup>.

#### **Current Secretariat Activities**

##### Nuances of Newly Signed Projects since the 55th STCU Governing Board

Since the last GB (55<sup>th</sup>), the STCU has signed thirty-one (31) projects and extensions (both Regular and Partner) which is a remarkable achievement in and of itself. However, there are some interesting nuances that need to be pointed out in this funding:

- 1). Funding Highly Concentrated - Three signed projects (9701a, 9817a, and 9818) represent a very large percentage of the funding (in this case 63%). Six signed projects (the aforementioned three, plus P789, P792, and P797) represent 83% of the funding, continuing a recent trend where project funding is highly concentrated.



2). New Partner Project Funding exclusively Government – The six new partner projects (not extensions) were signed with partners that are all Government Partners (Univ. of CA – Irvine, DOS/ISN/WMDT, DSA, DOE, GE Avio S.r.l. - a Horizon Europe project, and Lusufona University). The security situation looks to have impacted the overall attractiveness of investing in science in Ukraine in the eyes of Non-Government Partners.

### Trends in Projects

The 56th GB is scheduled to approve via written procedure in June '23, six (6) new partner projects totaling roughly \$2.2M, sixteen (16) new partner project extensions totaling roughly \$864K, as well as nine (9) regular projects and extensions totaling roughly \$5.3M. The total for all new partner projects, partner project extensions, and regular funded projects and extensions scheduled for approval at the 56th GB would thus equal roughly \$8.4M. This is a very good start to the 2023 year (almost equaling the entirety of 2022) and given the expected projects to be signed in the remainder of 2023 (see section below), management estimates that 2023 will see a funding year of approximately \$20M-\$25M. Given the exceptional amount of funding received in 2021 (\$24.5M), and then the drop back down in funding in 2022 (\$8.1M), it appears that the STCU will continue its roller coaster ride of funding experienced over the last four years (↓ 2020 ↑ 2021 ↓ 2022 ↑ 2023).

As the table below indicates, the STCU has seen the number of active projects drop considerably over the last few years (from an average of 110 active projects in 2016 to 60 active projects in May 2023). The STCU expects to see the number of active projects settle at approximately 50 – 60 where it should stabilize going forward.

	2016	2017	2018	2019	2020	2021	2022	May 2023
Avg # of Active Projects	110	135	135	110	80	75	70	60
Board Approved Project Funding (USD)	\$11.2M	\$15.6M	\$13.5M	\$12.2M	\$4.8M	\$24.5M	\$8.1M	\$8.4M*

\* \$8.4M is the amount of funding approved for the period of January 1 – May 26, 2023.

### Potential Projects (Proposals) still to be signed in 2023

A quick look at the larger projects in the STCU's pipeline (~\$25M) shows that 2023 could be a record year:

1). **€8.0M, €5.2M, and €5.0M (total €18.2M)** from DG-INTPA for nuclear safety projects in Ukraine. The STCU signed the €8.0M contribution agreement (Improved Nuclear and Radiation Safety within Ukraine's Radioactive Waste) with DG-INTPA on May 22, 2023, but this amount is not shown in the 56<sup>th</sup> GB Funding Sheet and Record of Decisions as the amount will be used to fund smaller projects that will be separately host-government concurred, etc., and included more than likely in the 57<sup>th</sup> GB documents



in the Fall '23. Thus, this means that there will for sure be an additional **€8.0M** of project funding to be approved in 2023. The other two projects with DG-INTPA (**€5.2M**, and **€5.0M**) are also expected to be signed in 2023 and more than likely be included in the 57<sup>th</sup> GB documents.

2). **~\$4.0M** from the UK, Canada and USDOS/ISN/WMDT to join the new project with DG – International Partnerships (formerly DG DEVCO) and Norway DSA entitled, “*Modernisation of the “Dosimetric Control System in the Exclusion Zone and Environmental (Radiation) Monitoring at the “Vektor” Complex and the “Buriakivka” Disposal Facility*”. This collaboration came because of meetings at the IAEA meetings in Vienna in September '22 and GP meetings Berlin in October '22, as well as the ISI meeting in Oslo in mid-April '23.

### Important Visitors/Meetings/Events

**ED and Sorin Popa attend the Handover Ceremony for nine (9) mine sniffing dogs to UA Handlers, March 1<sup>st</sup> to 3<sup>rd</sup>, 2023 Nowy Sacz, Poland).** The STCU ED and Sorin Popa attended a formal handover ceremony conducted on March 3<sup>rd</sup>, 2023, where the nine dogs funded by EU FPI via the STCU were formally handed over to their Ukrainian handlers.

**Attendance of Global Partnership Working Group Meetings (March 9th and 10th, 2023, Tokyo, Japan).** The STCU ED traveled to Tokyo and met with representatives of global partnership programs (i.e. EU, UK, U.S., Norway, etc.) to discuss ways the STCU may act as an implementing organization for their activities in the GUAM region. During the Nuclear and Radiological Security Sub-Working Group, the ED made two requested presentations: 1). The ED updated the attendees with the current security situation in relation to Rad/Nuc concerns in Ukraine, which included details about the ZhNPP, Chornobyl Exclusion Zone, Nuclear Institutes, and Rad/Nuc Sources near the Line of Contact, and 2). The Impact of COVID and the Russian Invasion on Capacity Building efforts in Ukraine.

**ED attends Information Sharing Initiative for Nuclear Safety & Security in Oslo, Norway (April 19<sup>th</sup> and 20<sup>th</sup>, 2023).** The ED attended the eighth forum which provides a venue for the exchange of information on technical assistance to Ukraine in the areas of concern to the Global Partnership Nuclear and Radiological Security Sub-Working Group.

**Attendance of ISTC Meetings (May 15<sup>th</sup>, 16<sup>th</sup>, and 17<sup>th</sup>, 2023, Brussels, Belgium).** The STCU ED attended ISTC meetings and met with US representatives on the sidelines to discuss issues concerning the STCU, as well as issues facing both Centers.

Curtis “B.J.” Bjelajac  
Executive Director

 **STCU GB 56**  
**CFO Presentations**



2021 Audited  
 Financial Statements  
 & Management Letter

1

 **Financial Statements**

■ Late submission
 

- Effect of the war
- Power cuts
  - Effect on servers and computers
- Remote working
  - Geographical spread and time zone spread
- Auditors having to work remotely


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# Audit Report

- First year for new auditors
- Unqualified report

## INDEPENDENT AUDITOR'S REPORT

To the Governing Board of the Science and Technology Center in Ukraine

### *Opinion*

We have audited the accompanying financial statements of the Science and Technology Center in Ukraine (hereinafter "STCU") of the accompanying Annual Report, which comprise:

- the statement of financial position as at 31 December 2021,
- the statement of profit or loss and other comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the STCU as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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# Headline Figures

- Project expenditure
  - What we have done
- Overheads
  - How efficiently we have done it
- Capital contributions
  - What we will be doing going forward

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**Project Expenditure**

<b>Expenditure</b>	
Project Expenditure	<b>1</b> 10,304,149
Administrative Expenditure	
- Administrative Operating Budget	<b>2</b> 634,352
- Supplemental Budget	<b>2</b> 640,621
	<hr/>
	<b>11,579,122</b>

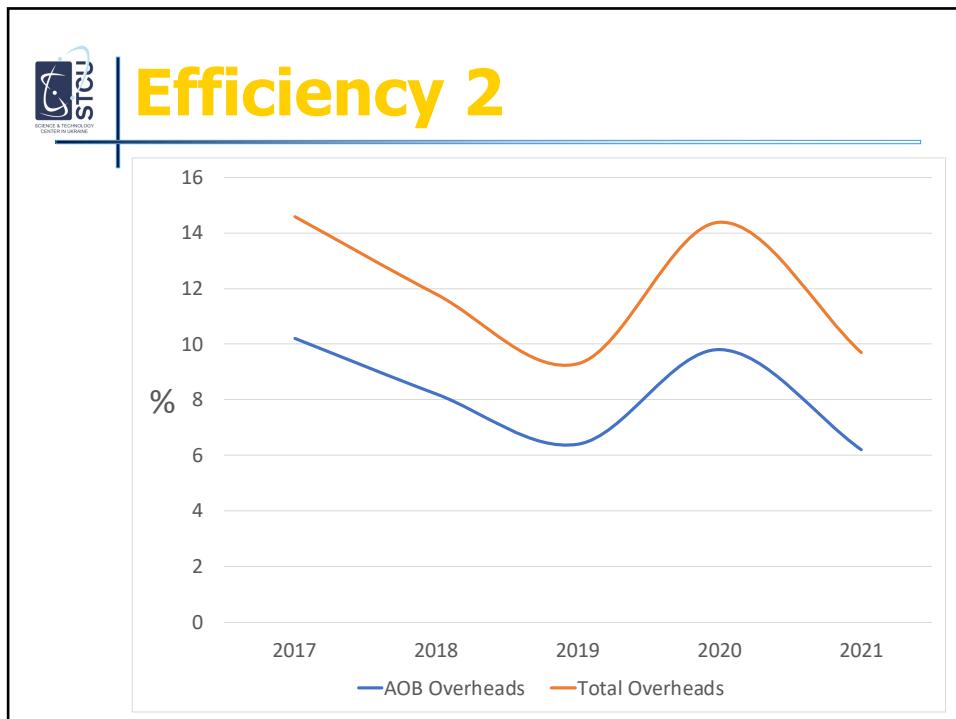
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**Efficiency 1**

		<b>Note</b>	<b>2021 USD</b>	<b>2020 USD</b>
<b>Revenues</b>				
Project Revenue			10,304,149	8,465,965
Administrative Revenue				
- Administrative Operating Budget			773,000	864,000
- Supplemental Budget			640,621	629,599

- AOB as a percentage of project expenditure
  - $634,352 / 10,304,149 = \textbf{6.16\%}$
- Total overheads as a percentage of total activities
  - $(634,352 + 390,568) / (10,304,149 + 250,053) = \textbf{9.71\%}$

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## Capital Contributions

**Capital Contributions**

	9	10	11	12	
Designated Capital – Projects	27,971,833				16,495,218
Designated Capital – Administration		766,500			773,000
Designated Capital – Supplemental			1,103,923		1,088,792
Undesignated Capital				12,508,225	11,600,719
					42,350,481
					<u>29,957,729</u>

	Total \$	EU \$	US \$	Partners \$
DCC Projects	27,971,833	15,646,362	-	12,325,471
DCC Admin	766,500	682,492	84,008	-
DCC SB	1,103,923	770,182	230,000	103,741
UCC	12,508,225	1,125,408	-	11,382,817
	<u>42,350,481</u>	<u>18,224,444</u>	<u>314,008</u>	<u>23,812,029</u>

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## Management Letter

- Periodization of the project-related costs (cutoff)
- Impairment allowance for accounts receivable
- Formalized accounting policy prepared in accordance with IFRS

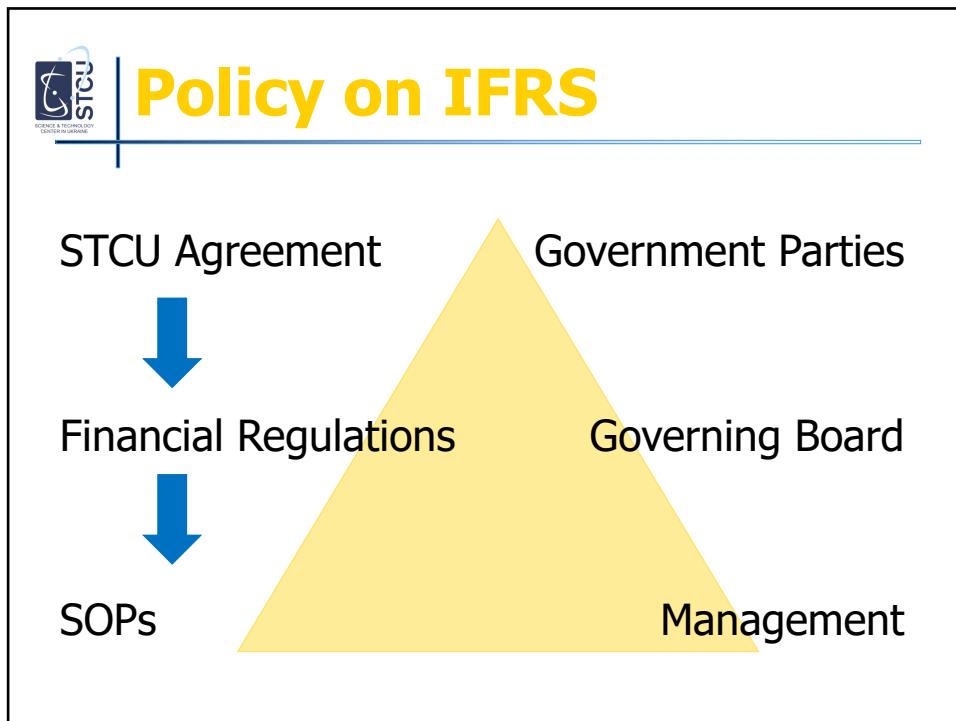
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## Impairment of A/R

	Note	2021 USD	Partner	Acrostack Corporation	Project p554b
				Before impairment	After impairment
<b>Non – Current Assets</b>					
Receivables					
Amounts due from Funding Parties	4	4,492,517			
		<u>4,492,517</u>			
<b>Current Assets</b>					
Receivables					
Amounts due from Funding Parties	4	10,209,324			
Other Receivables	5	27,506			
Prepayments	6	4,322			
Cash and Cash Equivalents	7	30,462,676			
		<u>40,703,828</u>			
<b>Non – Current Liabilities</b>					
Amounts Payable – Projects	8	(193,195)			
Contract Liabilities		<u>(169,409)</u>			
		<u>(362,604)</u>			
<b>Current Liabilities</b>					
Amounts Payable – Projects	8	(1,750,381)			
Amounts Payable – Non-project		<u>(103,493)</u>			
Contract Liabilities		<u>(629,375)</u>			
		<u>(2,483,260)</u>			
<b>Total Assets less Liabilities</b>				<u>175,688</u>	0
<b>Capital Contributions</b>					
Designated Capital – Projects	9	27,971,833			
Designated Capital – Administration	10	766,500			
Designated Capital – Supplemental	11	1,103,923			
Undesignated Capital	12	12,508,225			
		<u>42,350,481</u>			
			DCC projects	<u>175,688</u>	0
				<u>175,688</u>	-

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# **STCU Governing Board**

## **Financial Papers**

Meeting 20<sup>th</sup> June 2023

### Contents

- Financial Statements for the year ended 31<sup>st</sup> December 2021
- Auditors' Management Letter for the year ended 31<sup>st</sup> December 2021
- Standard Operating Procedure XXXVI \_ Accounting Policies



# **STCU Standard Operating Procedure XXXVI**

## **Accounting Policies**

## Purpose:

This policy document establishes policy and procedures for preparation of annual financial statements and the accounting standards to be followed in the preparation of those financial statements and the individual accounting policies to be used to most accurately present STCU's operations and how those accounting policies are updated over time.

## Background:

STCU is required by the STCU Statute to prepare annual financial statements and for the financial statements to be audited by an independent third party auditor and for the financial statements to be presented to the STCU Governing Board.

### **STCU Statute 25 July 2017**

#### *ARTICLE XVI (Financial Procedures)*

- A. *The Center will operate under financial procedures approved by the Board.*
- B. *Periodic financial reports will be provided to the Parties and the Board on the Center's administrative costs, project awards, and expenditures in the format and detail required by the Parties and the Board.*
- C. *An annual audit by an auditor approved by the Board will be conducted of the Center's expenditures and related financial activities. Results of the audit will be reported to the Board within 30 days after completion.*

An organisation wishing to prepare financial statements needs to select an appropriate set of financial standards issued by a recognised national or international accounting body. Having selected a set of financial standards the organisation has to select which policies within those standards are relevant to the organisation's operations and to set these policies out in a statement included in the annual financial statements.

This SOP sets out the accounting standards selected by STCU and the accounting policies under those standards that apply to the organisation and its financial reporting.

## Policies and Procedures:

### **A Selection of accounting standards to be used**

STCU as an intergovernmental international organisation needs to follow accounting standards that are appropriate to its member countries, both Funding Parties and Recipient countries, and to the

other stakeholders in the Center; partners, suppliers, banks. To enable STCU to prepare financial statements that are understandable to all its various stakeholders STCU has chosen to use International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). See <https://www.ifrs.org/groups/international-accounting-standards-board/>

## B Selection of and updating of accounting policies

Under the chosen accounting standards STCU selects the various standards that apply to its operations and selects accounting policies that are best suited to those operations, and which are in accordance with International Financial Reporting Standards.

The selection of accounting policies was made by the STCU Secretariat in conjunction with its independent auditors and other advisors.

IFRS are regularly updated by the IASB and organisations operations evolve over time and therefore it is necessary to continually review and update the accounting policies used to ensure they are in accordance with the latest IFRS and the needs of the organisation to present its financial statements to its stakeholders.

Each year STCU Secretariat reviews its accounting policies involving appropriate advisors to obtain the best and most up to date practices in use in the accounting industry. The updated accounting policies are included each year in the annual financial statements. At the date of issuance of this SOP the latest published financial statements are for the year ended 31 December 2021 and the policies used for these financial statements are included in the attached Annex to SOP XXXVI.

## C Publication accounting policies

The accounting policies as at the date of issuance of this SOP are set out in the attached Annex. The accounting policies used for each year's annual financial statements are included in the financial statements which are published on the STCU website. See [http://www.stcu.int/documents/stcu\\_inf/reports/audit/2021/](http://www.stcu.int/documents/stcu_inf/reports/audit/2021/)

## Effectivity:

This procedure is effective 1 March 2023

Curtis Bjelajac Executive Director

## Annex to SOP XXXVI

The accounting policies in use at the date of the issuance of SOP XXXVI are set out below. These policies are as used for the financial statements for the year ended 31 December 2021. Subsequent changes in the policies are included in the published annual financial statements for each following year.

### Basis of Preparation

The financial statements represent the results of the STCU as an individual entity and have been prepared under the historic cost convention and in accordance with applicable International Financial Reporting Standards (IFRS) taking into consideration the departure from International Accounting Standard (IAS) 16 relating to Property, plant and equipment as explained in the policy for Property and equipment.

These financial statements were approved by the management of the STCU on 14 December 2022. The Governing Board of the Science and Technology Center in Ukraine will approve the financial statements at the next Governing Board meeting and have the power to amend the financial statements after issue or request the preparation of new financial statements.

### Adoption of new and revised standards and interpretations

In general, accounting policies are consistent with those applied in the previous reporting year. Some new standards and interpretations have become mandatory beginning on or after January 01, 2021.

#### ***Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 —Interest Rate Benchmark Reform—Phase 2***

The amendments provide temporary exemptions that are applied to address financial reporting implications in cases where the Interbank Offer Rate (IBOR) is replaced by an alternative, virtually risk-free interest rate.

The amendments relate to the following:

- changes in contractual cash flows - the entity does not need to derecognize or adjust the carrying amount of financial instruments to reflect the changes required by the reform, but instead needs to update the effective interest rate to reflect the change in the benchmark interest rate;
- hedge accounting - the entity will not have to stop hedge accounting just because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- disclosure - the entity will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

These amendments did not affect the Organization's financial statements.

#### ***Amendments to IFRS 16 – Covid-19-Related Rent Concessions beyond June 30, 2021***

On May 2020, the IASB issued the Amendment to IFRS 16 Leases - Covid-19 - Related Rent Concessions. This amendment provides relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect

not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification. The amendment was intended to be applied until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient until June 30, 2022. The amendment is applied to annual reporting periods beginning on or after April 01, 2021, with early application permitted. This amendment is mandatory for those business entities that have decided to apply the previous amendment related to COVID-19 - related rent concession.

These amendments did not affect the Organizations's financial statements.

### **Functional and Presentation Currency, Foreign Currency Transactions**

The U.S. dollar is the functional currency for the STCU. Accordingly, these financial statements have been prepared using U.S. dollars as the presentation currency. Use of the U.S. dollar best reflects the economic substance of the transactions and circumstances of the STCU.

All foreign currency transactions are converted into USD at the exchange rates prevailing at the date of the transaction. Foreign currency gains and losses resulting from movements in the exchange rates between the date of the transactions and the date of settlement are charged to the Statement of Revenues and Expenditure under the administrative operating budget in the period incurred. Activities in Azerbaijan, Uzbekistan, Georgia, and Moldova are transacted in USD or Euros and, therefore do not result in any gains or losses from currency exchanges except those arising from USD to Euro exchange differences.

Assets, liabilities and capital denominated in foreign currencies are translated into USD at the rates of exchange ruling at the balance sheet date.

The net revaluation (losses)/gains principally relate to amounts contributed or receivable from Funding Parties in currencies other than USD which are held in the source currency of the original contribution. These notional cash (losses)/gains are fully offset by revaluations of Funding Parties capital accounts held in a source currency other than USD. Revaluation (losses)/gains are not actual cash movements but a reflection of the changing value of the source currency. Revaluation gains or losses are recognized in Administrative operating budget expenditure. Effect of revaluation of Funding Parties capital accounts held in a source currency other than USD is reflected through other comprehensive income.

Foreign currency risk is managed as set out in the Note 15.

### **European Union Funded Projects**

Project agreements are concluded in Euros if solely funded by the European Union and in USD if projects are jointly funded.

For project agreements concluded in USD (jointly funded), the European Union provides funding in Euros, before the projects are signed by the STCU Executive Director. The STCU immediately converts the Euros upon receipt into USD. The total amount of USD provided by the European Union is therefore known before the start of the project, and thus the project agreements are written to match the amounts of USD received.

### **Project Activity**

The STCU authorizes and funds scientific projects which are performed at institutions within Ukraine, Azerbaijan, Uzbekistan, Georgia, and Moldova. Projects are financed by the Funding Parties either individually or jointly. All project agreements include a maximum amount of funding to be provided by the Funding Parties.

The project activity is accounted in the financial statements as follows:

## **Project Recognition**

The projects are only recognized after signature of the project agreement between the STCU and the recipient institutes. Upon signature, the total project value is credited to the relevant Funding Parties Designated Capital Account in proportion to the level of funding agreed by each party. To the extent that the value of the signed projects are not covered by advance payments from the respective Funding Parties, a receivable is set up in the financial statements, which is subsequently covered by either transfers from Undesignated Capital Contributions Accounts or direct disbursement by the Funding Parties.

## **Project Expenditure**

Project costs consist of four main components: grants to scientists, technical services, equipment and overhead. The STCU, being a non-profit making inter-governmental organization, does not envisage that any economic benefits will accrue to it in the foreseeable future from the financing of these projects. Accordingly all project costs incurred, including the purchase of project equipment, are charged immediately to the Statement of Revenues and Expenditure. Projects are performed on a cost reimbursable basis, with a ceiling of funds specified in the project agreements.

Based on the project agreement the STCU temporarily retains the payment of 50 percent of the allowable overhead for the individual projects, in accordance with the project agreements, until the submission, and acceptance of, the financial and technical reports prepared by the project recipients. The overhead retainage is recognized as part of amounts payable – projects.

When a project has been completed or terminated, any funds committed in excess of actual costs are credited back to the relevant Funding Parties' Undesignated Capital Contributions Account in the same proportion as the initial contributions from the Funding Parties.

## **Revenues**

IFRS 15, which was adopted by the STCU in 2018, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. An entity applies a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

A performance obligation is a promise to deliver a good or provide a service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer). Additionally, it is provided that an asset will be recognised for the incremental costs of obtaining a contract with a customer if they are expected to be recovered. The current practices applied by the STCU imply that there are no contract costs to be capitalized.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The specific accounting policies for the STCU's main types of revenue are explained below.

### *Project Revenues*

Project revenues recognized during the year in the Statement of Revenues and Expenditure are amounts equal to the total value of project expenditure incurred and expensed during the year. These revenues are transferred from the Funding Parties Designated Capital Accounts for Projects to the Statement of Revenues and Expenditure.

Project Revenues do not arise from contracts with customers where a 'customer' is a party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activity. Therefore, revenue recognition model under IFRS 15 is not applicable for the project revenues recognised by the STCU.

### *Partner Fees*

Partner projects may be charged a fee of between 5% and 15% of the total project cost for the services provided by the STCU to administer the project. Revenues from partner fees meet the definition of the contracts with customers as stipulated under IFRS 15. Revenues from partner fees derived from contracts with customers are recognised based on compliance with performance obligations with customers. Partner fees reflect the transfer of services to funding parties at an amount that reflects the consideration to which the STCU expects to be entitled in exchange for such services. Predominantly, the STCU administers the project over two or more financial periods; therefore, partner fees are recognized in the Statement of Revenues and Expenditure proportionally to the recognised expenses incurred during the reporting period. Any excess partner fees received are deferred on the balance sheet until corresponding costs are incurred and recognized as contract liabilities.

The surplus partner fees are allocated to the Undesignated Capital Contributions Accounts of the United States and the European Union in the same ratio as their Administrative Revenues contributions.

### *Interest income*

Interest earned on Funding Party bank accounts is recognized in the Statement of Revenues and Expenditure as finance income in line with effective interest rate method. Surplus interest earned is allocated to the Funding Parties Undesignated Capital Contributions Accounts, with the exception of Partner interest earned, which is allocated to the Undesignated Capital Contributions Accounts of the United States and the European Union in the same ratio as their Administrative Revenues contributions. Interest earned on administrative and supplemental bank accounts is allocated to the Undesignated Capital Contributions Accounts of the United States and the European Union in the same ratio as their Administrative Revenues contributions.

### *Agent vs. Principal*

The STCU has performed assessment over principal vs agent presentation under IFRS 15. The Center has concluded that it acts as a principal. The STCU obtains control of a service performed by recipient institutes and directs this service by administering the projects and holds primary responsibility for fulfilling the specified service to the Funding parties. During the project administration the STCU has discretion in selecting suppliers and agreeing on the prices paid.

## **Administrative and Supplemental Revenues and Expenditure**

### **Administrative Operating Budget**

Administrative Revenues recognized in the Statement of Revenues and Expenditure during the year equate to the amounts approved by the Governing Board for the Administrative Operating Budget for the year. The

budget is set and agreed at meetings of the Governing Board in the previous financial year. The agreed budgeted amounts are transferred from the Designated Capital Accounts for Administrative Expenses of the United States and the European Union. Such income does not meet the definition of revenue from contracts with customers as per IFRS 15.

Administrative Expenses are charged to the Statement of Revenues and Expenditure when incurred and are matched against the Administrative Revenues for the year.

Any surplus/(deficit) Administrative Revenues arising during the year are re-allocated to the Undesignated Capital Contributions Accounts of the United States and the European Union in the same ratio as the Administrative Revenues contributions.

### **Supplemental Budget**

Supplemental Budgets are approved by the Governing Board to provide funding for activities that are outside the scope of the Administrative Operating Budget and not directly related to the implementation of projects. Upon agreement of the Supplemental Budgets at Governing Board Meetings the total amount of such budgets approved are credited to the relevant Funding Parties' Designated Capital Accounts for Supplemental Budgets in proportion to the level of funding agreed by each party.

Supplemental Budget expenses are charged to the Statement of Revenues and Expenditure when incurred. Supplemental Budget revenues recognized in the year are amounts equal to the value of the Supplemental Budget expenditure incurred in the year. These revenues are transferred to the Statement of Revenues and Expenditure from the Funding Parties' Designated Capital Accounts for Supplemental Budgets. Such income does not meet the definition of revenue from contracts with customers as per IFRS 15.

### **Prepayments**

Prepayments include prepaid expense related to projects and to administrative and supplemental activities. STCU recognises prepayments upon cash transfer for which the underlying asset will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense.

### **Recognition of accruals**

Accruals are established when it is certain that a past event has given rise to a present obligation (accrued liabilities) or present right (contract assets), but there is uncertainty about the amount payable or receivable. The estimate of the amount of a liability or asset requires management judgment in the selection of a proper calculation model and the specific assumptions related to the particular exposure.

### **Property and Equipment**

Property and equipment are acquired either for the STCU's own use or for the projects and comprises of the following:

#### **Center**

Property and equipment acquired by the STCU for administrative operations consist of office furniture and equipment, including computer hardware and software and communications devices. All commitments and expenditures for administrative equipment are made in accordance with the Board's approved annual budget. The cost of the STCU equipment is charged to the Statement of Revenues and Expenditure when acquired.

### Project Equipment

Under the terms of the individual project agreements signed, title to equipment costing less than USD 2,500 is vested with the recipient institutes upon acquisition. The title to all other equipment provided to projects will remain with the STCU until termination or completion of the project, at which time the title will be vested in the recipient institutes unless prior to, or on that date, the STCU informs the project of its intention to retain title.

Since the STCU does not expect to derive any foreseeable economic benefits from the ownership of project equipment, the expenditure incurred during the year on equipment under each project, is written off to the Statement of Revenues and Expenditure.

IAS 16 “Property, Plant and Equipment” requires non-current assets to be capitalized and depreciated over their useful economic lives. Due to the project-based nature of STCU’s operations, management believes the application of these requirements would result in improper matching between the revenues contributed by the Funding Parties with the related expenses, and, accordingly conflict with the fair presentation objective of these financial statements. As a result, non-current assets acquired for use by participating institutes as part of the projects are charged to the Statement of Revenues and Expenditure upon acquisition.

### Grantee Benefits

All individuals providing services to the STCU as part of their employment agreements are considered grantees. Short term grantees benefits, including staff grants, bonuses, vacations and other benefits are included in expenses on an accrual basis. The STCU has no obligations to pay further contributions relating to grantee services in respect to payroll taxes and any pensions on the retirement of grantees.

### Taxation

Under the terms of the agreement establishing the STCU and also the Statute approved by the Governing Board, the STCU is exempted from any form of taxation. However, only since December 1999 has the relevant legal framework been implemented in Ukraine, allowing the STCU to recover its VAT only on administrative expenditures.

The VAT incurred on project expenditures has been charged to the Statement of Revenues and Expenditure as part of the project costs because, for the time being there is no practical process in place for the recovery of VAT for project purchases within Ukraine, Georgia, Uzbekistan, Moldova, and Azerbaijan. Management of the STCU continues discussions with the Governments of Ukraine, Georgia, Moldova, and Azerbaijan to investigate the possibility of establishing a procedure to recover project VAT for purchases made within these respective countries. However, the management of the STCU does not expect to recover the amounts incurred to date. Project items purchased abroad by the STCU and imported into Ukraine, Georgia, Uzbekistan, Moldova, and Azerbaijan are exempt from VAT and import duties. Certain projects have been registered with the respective Ministry of Economy as development aid projects and are exempt from VAT on purchases within Ukraine and Moldova.

### Financial Assets

The STCU uses only non-derivative financial instruments as part of its normal operations. These financial assets include bank accounts, certificates of deposit, and receivables. All financial assets are accounted for at amortized cost.

A financial asset is measured at amortized cost if the following two conditions are met:

- the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

### *Initial recognition and measurement*

Financial assets include trade and other receivables and cash and cash equivalents. Similarly to the past practice all financial assets held by the STCU are classified as instruments at amortized cost under IFRS 9. The Center determines the classification of its financial assets at initial recognition. All financial assets held by the Center are recognised initially at fair value plus directly attributable transaction costs.

### *Subsequent measurement*

Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset. When calculating the effective interest rate, STCU estimates future cash flows considering all contractual terms of the financial instruments.

### *Derecognition*

STCU derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by STCU is recognized as a separate asset or liability.

### *Impairment of financial assets*

The STCU assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Trade and other receivables are recognised as balance sheet assets against capital contribution. Thus, loss given default (LGD) for trade and other receivables is equal to zero. Subsequently, expected credit loss (ECL) ( $ECL = PD * LGD * EAD$  where PD the probability of default and EAD the exposure at default) is also equal to zero. The STCU recognises doubtful debt impairment allowances based on an individual management assessment of the recoverability of each receivable. Given the nature of the STCU funding providers, at the reporting date there was no direct exposure to potential impairment to be recognized in the Statement of Financial Position.

Given the short term nature the impact on cash and cash equivalents is assessed as not significant. Therefore, no significant additional disclosures included in financial statements as allowed under IAS 1.31.

Credit risk exposures are summarized in Note 15 and Fair values are calculated as set out in Note 16.

### **Financial liabilities**

For financial liabilities, IFRS 9 brings no changes to classification and measurement except for liabilities designated at fair value through profit or loss whereby the changes in own credit risks are recognised in other comprehensive income.

### *Initial recognition and measurement*

The STCU's financial liabilities include trade and other payables.

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at amortised cost. The STCU determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

### *Subsequent measurement*

After initial recognition, trade and other payables are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Revenues and Expenditure when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

### *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Revenues and Expenditure.

### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **Cash and Cash Equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

### **Lease**

IFRS 16, which was adopted by the STCU in 2019, supersedes IAS 17 Leases and related interpretations. The Standard eliminates the dual accounting model for lessees and instead requires entities to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

Under the STCU Agreement, the Government of Ukraine is required to provide at its own expense a facility for use by the Center. The arrangement for the current facility has been authorized by the Government of Ukraine until December 31, 2030. Under IFRS 16 Leases, the Center should recognise in its balance sheet assets and liabilities relating to use of the premises at the fair value of the rent, utility and security benefits.

At the same time, under IAS 20 ‘Government grants’, granted use of the facility meets the definition of the government grant which should be recognised in the Statement of Revenues and Expenditure on a systematic basis throughout the arrangement period, and implies the need to recognise in STCU’s balance sheet assets and liabilities at the fair value of the grant.

IAS 20 ‘Government grants’ permits net presentation of the government grants related to assets. Therefore, balance sheet assets and liabilities arising from IFRS 16 implementation and from IAS 20 ‘Government grants’ is equal, having zero effect in the Statement of Financial Position.

### **Capital Management**

The capital of the STCU is represented by the net assets attributable to Funding Parties. The STCU’s objectives in managing capital are to safeguard the assets of the Funding Parties to enable the STCU to continue as a going concern and enable the future funding of project expenditure.

All significant capital decisions such as project funding, transfers of capital, investment of capital and returns of capital to Funding Parties, require approval by the Funding Parties at six-monthly meetings of the governing board or otherwise. As such, the management of the STCU does not actively manage its capital on a day-to-day basis.

#### *Designated capital contribution*

Projects represent amounts committed on signed projects net of project expenses incurred to date.

#### *Undesignated capital contributions*

Undesignated capital contributions are amounts paid or committed by the funding parties which have not yet been designated for the operating budget or project purposes, or are funding party revenues in excess any surplus/(deficit) of Administrative Revenues.

When projects are signed and annual budgets are approved, an appropriation is made between the designated and undesignated capital contributions account.

### **Use of Estimates and Judgments**

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period, in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Key management judgements:**

**Accounting policy applied to Property and equipment:** Please refer to accounting policy applied to Property and equipment, as described above.

### **Key sources of estimation uncertainty:**

**Valuation of account receivables:** There are a number of significant risks and uncertainties inherent in the process of monitoring financial assets and determining if impairment exists. These risks and uncertainties include the risk that STCU's assessment of funding party's or borrower's ability to meet all of its contractual obligations will change based on changes in the credit characteristics or that the risk that the economic outlook will be worse than expected or have more of an impact on the counterparty than anticipated.

Receivables are valued according to the principle of prudence and recognized at amount due less allowances for doubtful loans and receivables considering expected credit losses.

Doubtful debt allowances are recognized based on an individual management assessment of the recoverability of each receivable. Given the nature of the STCU funding providers, at the reporting date there was no direct exposure to potential impairment to be recognized in the Statement of Revenues and Expenditure. Credit risk exposures are summarized in Note 15 and Fair values are calculated as set out in Note 16.

**Recognition of accruals** as noted above.



## Update on FIRST Program, Fellowships, Cybersecurity Projects, and Workshops for Ukrainians outside of UA

### USDOS/ISN/NDF FIRST Program

The 53<sup>rd</sup> STCU Governing Board approved the initial \$400K contribution of U.S. Department of State's Bureau of International Security and Non-proliferation's Office of Non-proliferation and Disarmament's Fund to implement the FIRST program in Ukraine. The STCU acted quickly with its State Department colleagues to conduct the initial introductory webinar on January 27, 2022, and then with some delay due to the war, conducted the 2<sup>nd</sup> webinar virtually (originally was scheduled for in-person in Kyiv in April '22) on August 10-11, 2022 and finally the most recent 3rd remote workshop for Ukrainian experts and scientists titled "Series on SMR Site Characterization" conducted on March 21-23, 2023. As of the writing of this report, follow-on activities are still under consideration (i.e. an additional webinar, etc.).

In addition to the \$400K contribution mentioned above, the STCU signed an amendment to provide an additional \$500K of funding for the Virtual Advanced Nuclear Reactor Technology Fellowship Program (\$400,000) and Counteracting Nuclear Energy Disinformation Fellowship Program (\$100,000). As of the writing of this report, five projects (#s 7106 to 7110) were successfully completed on 30<sup>th</sup> of April 2023. Given the success of these projects, ISN-CTR decided to redirect \$100K from the original FIRST budget (\$400K reduced to \$300K) to finance amendments to these projects (project#s 7106a-7110a shown in the 56<sup>th</sup> GB Funding Sheet) which all started work on May 1<sup>st</sup>, 2023. Finally, seventeen fellowships under the Virtual Advanced Nuclear Reactor Technology Fellowship Program started on November 1<sup>st</sup>, 2023 and are scheduled to finish on May 31, 2023.

### Fellowships outside of FIRST

#### More Fellowships for Ukrainian scientists coming online in 2023

At the end of Sept. '21, the STCU signed a letter grant with DOS/ISN/CTR to initiate the \$750K Virtual Scientist Engagement Fellowship Program for Vulnerable Ukrainian Scientists. These funds will be used to finance a number (minimum 35) fellowships to assist qualified scientists that are particularly vulnerable because of the Russian invasion. As of the printing of this report, the STCU obtained 44 project proposals which are now under evaluation stage by USDOS/ISN/NDF. The STCU expects to start the selected fellowships in June 2023.

#### Europe Funding for Fellowships

Furthermore, as is often the case, the Ukrainian scientific community (in this case the National Academy of Sciences) is bringing other potential donors to the STCU that are looking to fund fellowships for the Ukrainian scientific community. In mid-October '22, the STCU was contacted by EURIZON (European network for developing new horizons for Research Infrastructures) which is a Horizon 2020 project (Funded by DG-RTD), led by an organization called DESY (DeutschesElektronen-Synchrotron - A Research Centre of the Helmholtz Association).

DESY is the implementing partner for a Horizon 2020 project entitled, “EURIZON”, which originally was an initiative intended to enhance collaboration between European and Russian research organizations. In short, because of Russia’s invasion of Ukraine in Feb. ’22, the EURIZON Consortium decided to terminate its relationships with Russia and redirect the Russian funding to the Ukrainian partners of the consortium. The EURIZON Consortium is currently working with the STCU to start a fellowship program for research grants dedicated to Ukrainian scientists working in Ukraine (in all scientific domains).

At the time of publishing this report, the STCU jointly with the EURIZON Secretariat received 723 project proposals which will be evaluated by EU Experts until the end of June ’23. After the evaluation stage, the STCU is planning to start up to 20 selected projects for a one-year duration fellowship program.

### **Two new initiatives to improve cybersecurity in Ukraine from USDOS/ISN/CTR and EU’s DG-FPI**

DOS/ISN/CTRT funded a letter grant via the ISTC in the amount of ~\$184K (STCU will assist with the implementation) project to develop and deliver a virtual three-day training course (scheduled for June ’23) in online format for at least 40 Ukrainian scientists, technicians, engineers (STEs) and managerial staff with dual-use relevant expertise from research institutes and universities in Ukraine to strengthen these individuals' ability to counter proliferator state-based cybersecurity threats. The training is intended to strengthen these individuals' security in cyberspace, expand knowledge security at the individual and institutional levels, enhance Ukrainian vetting of potential research collaborations, and guard against proliferator state access and exploitation of participants' sensitive dual-use knowledge for illicit weapons of mass destruction programs.

With funding from EU FPI, the STCU is currently conducting a cybersecurity project in the amount of ~€200K entitled, “Cybersecurity Awareness Training for IT and OT environments program to raise cyber awareness and hands-on skills for Ukrainian engineers and researchers”. The project envisions three focused (with approximately 15 participants) workshops for CBRN professionals responsible for cybersecurity at Ukrainian Nuclear Power Plants, Research Institutes, and UA government agencies with oversight roles over important CBRN infrastructure (Min. of Energy, Min. of Infrastructure, etc.). The first training course in online format was conducted on May 4<sup>th</sup>, with fifteen (15) Ukrainian IT and OT specialists from 4 different NPP stations and SE “NNGE Energoatom”. The next thematic training course is planned for mid-September in offline format.

### **Three ISN/CTR Funded Workshops for Ukrainians outside of UA**

DOS/ISN/CTRT funded a letter grant via the STCU a \$250K to develop, identify, and provide capacity-building support for Ukrainian scientists, engineers, and technicians (STEs) and other technical experts and officials with WMD-applicable dual-use expertise, by organizing and conducting three hybrid workshops, each of two days' duration, for at least twenty-five Ukrainian participants at each event titled “Research Vetting, Individual Cybersecurity, and Knowledge Security Training for Ukrainian Researchers”.



STCU, in coordination with the non-profit global security organization Coalescion plans to conduct the first two-day duration training course in Prague on the 30<sup>th</sup> and 31<sup>st</sup> of May in hybrid format, for up to 40 Ukrainian participants.

The training will address critical research security and safety topics in the context of the challenges faced in building new collaborations and funding work in unfamiliar circumstances:

- Cybersecurity trends and solutions
- Dual-use threats and risks associated with infrastructure, materials, consumables, and information
- Risk assessment tools to mitigate security vulnerabilities in research security settings
- internet protocol (IP) protection, including strategies for navigating uncertain contexts
- Technology transfer and the stages/decision points from the view of the individual researcher
- Scientific ethics to include common standards, best practices, and avoiding pitfalls
- Research vetting to identify legitimate opportunities for funding, collaboration, or employment.

The STCU is planning to conduct the next two training courses in Warsaw and Bucharest in September-and December '23, respectively.