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LEGISLATIVE ACTS AND OTHER INSTRUMENTS

Subject: Agreement between the European Union and Canada laying down the conditions for the participation of Canadian legal entities and products originating in Canada to procurement under the SAFE Instrument



AGREEMENT
BETWEEN THE EUROPEAN UNION
AND CANADA
LAYING DOWN THE CONDITIONS
FOR THE PARTICIPATION
OF CANADIAN LEGAL ENTITIES AND PRODUCTS
ORIGINATING IN CANADA
TO PROCUREMENT UNDER THE SAFE INSTRUMENT

THE EUROPEAN UNION, hereinafter referred to as the "Union",

of the one part, and

CANADA,

of the other part,

hereinafter referred to, individually, as the "Party" and, jointly, as the "Parties",

RECOGNISING that the Union and Canada face a volatile and increasingly challenging security environment, as demonstrated by Russia's unprovoked and unjustified war of aggression against Ukraine;

ACKNOWLEDGING the conclusion of the "Security and Defence Partnership between the European Union and Canada" on 23 June 2025, which expands cooperation in a wide range of areas, such as military mobility and interoperability, maritime and space security, and the Union and Canada defence initiatives, including exchange of information on defence industrial related matters;

ACKNOWLEDGING the importance of a stronger and more capable European defence that contributes to global and transatlantic security and is in full coherence with the North Atlantic Treaty Organization ("NATO");

AFFIRMING that the mutually reinforcing and complementary strategic partnership with NATO is essential for Euro-Atlantic security, and that NATO remains the foundation of collective defence for Canada and the 23 Member States of the Union that are also NATO Allies;

RECALLING their shared desire to deepen the Canada-EU security and defence relationship and to foster a closer, balanced and mutually beneficial partnership between Canada and the Union to support practical defence cooperation and best leverage defence resources;

ACKNOWLEDGING that the defence industrial cooperation enabled by this Agreement between the European Union and Canada laying down the conditions for the participation of Canadian legal entities and products originating in Canada to procurement under the SAFE Instrument¹ (the "Agreement") will facilitate economic opportunities such as increased growth and job opportunities across Canada,

HAVE AGREED AS FOLLOWS:

¹ Council Regulation (EU) 2025/1106 of 27 May 2025 establishing the Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument (OJ EU L, 2025/1106, 28.5.2025, <http://data.europa.eu/eli/reg/2025/1106/oj>).

PART 1

GENERAL AND INSTITUTIONAL PROVISIONS

ARTICLE 1

Objective and Scope

The objective of this Agreement is to lay down the conditions for the participation of Canadian legal entities and products originating in Canada in procurements supported by Council Regulation (EU) 2025/1106 establishing the Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument (the "SAFE Instrument" or "Regulation (EU) 2025/1106") in accordance with its Article 17.

ARTICLE 2

Definitions

For the purpose of this Agreement,

- (a) "Canadian legal entity" means any legal person or entity constituted or organised under applicable Canadian law, whether for profit, and whether owned and controlled privately or by government, including a corporation, trust, partnership, joint venture or other association;

- (b) "Member State" means a Member State of the Union;
- (c) "third countries" means countries other than Member States, European Economic Area States that are members of the European Free Trade Association (EEA EFTA States), Ukraine, and Canada;
- (d) "defence products" means goods, services and works that fall within the scope of Directive 2009/81/EC of the European Parliament and of the Council¹, as set out in Article 2 of that Directive, and, in line with Articles 1 and 2 of Regulation (EU) 2025/1106, these include:
- (i) military equipment specifically designed or adapted for military purposes and intended for use as an arm, munitions or war material, including any parts, components or subassemblies thereof;
 - (ii) sensitive equipment for security purposes, involving, requiring or containing classified information, including any parts, components and/or subassemblies thereof;
 - (iii) sensitive works, supplies and services for security purposes, involving, requiring or containing classified information and directly related to the military or sensitive equipment for any and all elements of its life cycle; and

¹ Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC (OJ EU L 216, 20.8.2009, p. 76, ELI: <http://data.europa.eu/eli/dir/2009/81/oj>).

- (iv) sensitive services for security and military purposes or sensitive works and sensitive services, involving, requiring or containing classified information;
- (e) "other products for defence purposes" means any good, service or work other than those falling within the category of "defence products" under point (d) of this Article, and which are necessary for or aimed at defence purposes;
- (f) "control", with regard to a contractor or subcontractor, means the ability to exercise a decisive influence over that contractor or subcontractor, directly or indirectly, through one or more intermediate legal entities;
- (g) "executive management structure" means a body of a legal entity, appointed in accordance with domestic law, and, where applicable, reporting to a chief executive officer, which is empowered to establish that legal entity's strategy, objectives and overall direction, and which oversees and monitors management decision-making;
- (h) "subcontractors involved in a procurement supported by the SAFE Instrument" means any legal entity which provides critical inputs that possess unique attributes essential for the functioning of a product, which is allocated at least 15 % of the value of the contract, and which needs access to classified information for the performance of the contract.

ARTICLE 3

Non-affectation of Member States' Domestic Law and Competence of the Court of Justice of the European Union

1. This Agreement does not affect the procedural rules that apply to procurements of Member States applicable to any awards falling within the scope of the SAFE Instrument. Any decisions of Member States' authorities with respect to those awards can only be challenged in accordance with their domestic law.
2. The validity of any decision or other acts of any Union institutions related to the SAFE Instrument can only be challenged before the Court of Justice of the European Union.

ARTICLE 4

Institutional Provisions

1. The Parties hereby establish the SAFE Joint Committee comprising representatives of the Union and Canada.
2. Each Party shall designate a Contact Point to facilitate communications between the Parties and shall notify the other Party of its Contact Point and any changes to its Contact Point.
3. The SAFE Joint Committee shall meet at the request of a Party. The SAFE Joint Committee shall determine its meeting schedule and agenda, and adopt its own rules of procedure.

4. The SAFE Joint Committee is responsible for all questions concerning the implementation and interpretation of this Agreement.
5. The functions of the SAFE Joint Committee include:
- (a) supervising and facilitating the implementation and application of this Agreement and furthering its general aims;
 - (b) seeking appropriate ways and methods of preventing problems that might arise in areas covered by this Agreement, or of resolving matters that may arise regarding the interpretation or application of this Agreement; and
 - (c) considering any matter of interest relating to an area covered by this Agreement.
6. The SAFE Joint Committee may:
- (a) exchange information that is relevant for the implementation of this Agreement, including on new legislation, measures or national programmes;
 - (b) communicate with all interested parties including Member States, their contracting authorities or the private sector; and
 - (c) take other action in the exercise of its functions as decided by the Parties.

7. To support the proper implementation of this Agreement, the competent authorities of Canada, of the Union and of the Member States shall regularly exchange information and, at the request of one of the Parties to this Agreement, consult each other.

8. Confidential information and personal data included in the exchange of information referred to in paragraph 7 of this Article shall be protected in accordance with relevant bilateral agreements and where these agreements are not applicable, according to the domestic laws and regulations of the Parties.

PART 2

CONDITIONS FOR PARTICIPATION

ARTICLE 5

Application of Eligibility Conditions Referred to in Article 16 of the SAFE Instrument to Canadian Legal Entities and Products

1. Canadian legal entities may participate in a procurement supported by the SAFE Instrument, as contractors and subcontractors involved in a procurement supported by the SAFE Instrument, subject to the conditions set out in paragraphs 2 to 7 of this Article.

2. Canadian legal entities must be established in Canada and have their executive management structures in Canada, in the Union, in an EEA EFTA State, or in Ukraine. They must not be subject to control by a third country or by an entity which is established in a third country, or which is established in the Union, in an EEA EFTA State, in Ukraine or in Canada and has its executive management structures in a third country.
3. By way of derogation from paragraph 2 of this Article, a Canadian legal entity controlled by a third country or by an entity which is established in a third country, or which is established in the Union, in an EEA EFTA State, in Ukraine, or in Canada and has its executive management structures in a third country may participate in a procurement supported by the SAFE Instrument if it provides a guarantee to be verified by at least one Member State participating in that procurement. The guarantee must provide assurances that the involvement of the contractor or subcontractor in that procurement does not contravene the security and defence interests of the Union and its Member States as established in the framework of the common foreign and security policy pursuant to Title V of the Treaty on European Union.
4. The guarantees referred to in paragraph 3 of this Article must be based on a standardised template provided by the European Commission (the "Commission") which must form part of the tender specifications. The guarantees must in particular substantiate that, for the purposes of the procurement supported by the SAFE Instrument, measures are in place to ensure that:
- (a) control over the contractor or subcontractor involved in the procurement supported by the SAFE Instrument is not exercised in a manner that restrains or restricts its ability to fulfil the order and to deliver results; and

(b) a third country or an entity which is established in a third country, or which is established in the Union, in an EEA EFTA State, in Ukraine or in Canada and has its executive management structures in a third country is prevented from accessing classified information relating to the procurement supported by the SAFE Instrument and the employees, or other persons, involved in the common procurement have a national security clearance issued by a Member State or Canada in accordance with their respective domestic laws and regulations.

5. The contracting authority conducting a procurement supported by the SAFE Instrument shall notify the Commission of the guarantees referred to in paragraph 3 of this Article. The contracting authority shall make further information on the guarantees available to the Commission at its request.

6. The infrastructure, facilities, assets and resources of contractors and of subcontractors involved in a procurement supported by the SAFE Instrument which are used for the purposes of the common procurement shall be located in the territory of Canada, a Member State, an EEA EFTA State, or Ukraine. Where Canadian legal entities have no readily available alternatives or relevant infrastructure, facilities, assets and resources in the territory of Canada, a Member State, an EEA EFTA State, or Ukraine they may use their infrastructure, facilities, assets and resources which are located or held in a third country, provided that at least one Member State participating in the procurement has verified that the use does not contravene the security and defence interests of the Union and its Member States.

7. When using the infrastructure, facilities, assets and resources which are located or held in a third country in accordance with paragraph 6 of this Article, Canadian legal entities must provide the contracting authority conducting the procurement supported by the SAFE Instrument with information on measures taken for this purpose. This information must be based on a standardised template provided by the Commission which must be part of the tender specifications.
8. The cost of components originating in Canada may exceed 35 % of the estimated cost of the components of the end product. The cost of components originating either in the Union, an EEA EFTA State or Ukraine must not be lower than 20 % of the estimated cost of the components of the end product. The cost of the components from third countries must not exceed the cost of components originating in the Union, an EEA EFTA State, or Ukraine, and in any case may not exceed 35 % of the cost of the components of the end product.
9. No components may be sourced from a third country that contravenes the security and defence interests of the Union and its Member States as established in the framework of the common foreign and security policy pursuant to Title V of the Treaty on European Union. The contracting authority conducting the procurement supported by the SAFE Instrument shall provide a justified declaration of compliance to the Member States participating in the procurement establishing that no component is sourced from a third country that contravenes these interests. This declaration shall be made available to the Commission.

10. For defence products related to category two as referred to in Article 1, point (b), of Regulation (EU) 2025/1106, Canadian legal entities involved as contractors in a procurement supported by the SAFE Instrument must be able to decide, without restrictions imposed by third countries or by entities which are established in a third country, or which are established in the Union, in an EEA EFTA State, in Ukraine or in Canada and have their executive management structures in a third country, on the definition, adaptation and evolution of the design of the defence product procured, including the legal authority to substitute or remove components that are subject to restrictions imposed by third countries or by entities which are established in a third country, or which are established in the Union, in an EEA EFTA State, in Ukraine or in Canada and have their executive management structures in a third country. Member States involved in that procurement may require, in the procurement contract, that Canadian legal entities provide assurances they can effectively benefit from this ability in case of need.

ARTICLE 6

Financial Contribution

1. Participation of Canadian legal entities in procurement contracts supported by the SAFE Instrument is subject to the payment by Canada of a financial contribution.
2. The financial contribution consists of:
 - (a) an administrative contribution directly relevant for the management of the SAFE Instrument and for other horizontal administrative costs relevant for the management of the SAFE Instrument; and

- (b) a participation contribution derived from the participation of Canadian entities in the SAFE Instrument.
3. Canada shall pay the administrative contribution of EUR 2 500 000 on the date of provisional application of this Agreement, or the date of its entry into force, whichever is earlier and shall not be subject to retrospective adjustments.
4. The participation contribution referred to in paragraph 2, point (b), is 15 % of the value of Canadian content in contracts that are based on the conditions set out in this Agreement.
5. The participation contribution will be paid:
- (a) by an initial instalment of EUR 7 500 000 on the date of provisional application of this Agreement, or the date of its entry into force, whichever is earlier;
- (b) beginning in March 2027, by annual instalments of any additional amount owed by Canada in accordance with paragraph 4 of this Article and the Annex to this Agreement.
6. There will be a final review in accordance with the Annex to this Agreement.

ARTICLE 7

Measures to reinforce the security of supply of defence products procured with the support of the SAFE Instrument

1. Canada shall ensure that for procurements supported by the SAFE Instrument, contracting authorities of Member States involved in those procurements have access to defence products originating in Canada under conditions no less favourable than those accorded to its own contracting authorities and legal entities, including in cases of significant supply disruptions which result in an inability to deliver products within a reasonable period of time. To that end, Canada shall commit that applications related to export licences or permits of defence products being exported to the Union and that are related to a procurement under the SAFE Instrument are processed in an efficient and timely manner in accordance with its domestic laws and regulations.
2. Canada shall ensure that, once a product originating in Canada has been exported to the Union, it will not impose additional restrictions for subsequent re-transfers within the Union. This is without prejudice to the possibility for Canada to request end-use assurances, including under the "Export and Import Permits Act".
3. To ensure that existing and future legal obligations of Canadian legal entities will not prevent or delay the execution of contracts supported by the SAFE Instrument, Canada shall to the extent practicable take all necessary steps to share with the SAFE Joint Committee information regarding defence products subject to contracts supported by the SAFE Instrument originating in its territory that are subject to potential or actual prioritisation measures from third countries.

4. Canada shall encourage Canadian legal entities involved in the execution of contracts supported by the SAFE Instrument to sign and implement in the context of procurements supported by the SAFE Instrument and in addition to requirements included in the procurement documents and contract, a code of conduct on prioritisation, committing to adhere to principles of fairness, transparency, and cooperation in the allocation of resources and prioritisation of activities. The code of conduct shall be developed by the Commission, in consultation with Canada, by the date of entry into force of this Agreement.

ARTICLE 8

Measures to increase the standardisation of defence systems
and the greater interoperability between
the capabilities of the Member States and of Canada

In the context of procurements supported by the SAFE Instrument, Canada shall not prevent Canadian legal entities from adhering to the standards used in procurement documents and contracts, such as NATO Standardisation Agreements ("STANAGs"), civilian standards developed by European Standardisation Organisations ("ESOs"), international standards, or any other standards recognised by the Union.

ARTICLE 9

Exchange of Classified Information

1. Exchanges and the protection of the classified information of each Party shall take place in accordance with their respective law and the "Agreement between Canada and the European Union on Security Procedures for Exchanging and Protecting Classified Information", done at Brussels on 4 December 2017, as well as its Implementing Administrative Arrangement.
2. Canada may exchange classified information with national classification marking with those Member States with which it has concluded a bilateral security arrangement or agreement to that effect.

ARTICLE 10

Joint Verifications

1. The Parties shall cooperate to ensure that the implementation of contracts under this Agreement is in accordance with the principle of sound financial management.
2. Upon request by a Member State or the Union, and if provided for in the contract for a procurement supported by the SAFE Instrument, the Parties shall conduct a joint verification. The joint verification shall be conducted in accordance with domestic laws and regulations and may include on-site verification of a Canadian legal entity.

3. Member States may, where appropriate, invite agents of Union institutions and bodies (including the European Commission, the European Court of Auditors and the European Anti-Fraud Office) to participate in a joint verification.
4. As part of a joint verification, participating authorities shall have access to relevant information and documentation, including, if necessary, electronic files. Any information accessed as part of a joint verification shall be subject to relevant agreements, and domestic laws and regulations protecting classified information or confidential business information that has commercial value derived from its secrecy.
5. A Member State or the Union making a request for a joint verification under paragraph 2 of this Article shall notify Canada, within a reasonable period of time in advance, of the subject matter, purpose and legal basis of the requested joint verification.
6. The respective results and assessments of a joint verification shall be shared with all authorities participating in the joint verification.
7. Canada shall inform, without delay, the Union and the Member States which are procuring or planning to procure products supported by the SAFE Instrument from Canadian legal entities of any instance of fraud or other illegal activity on the part of a Canadian legal entity participating in a procurement relating to the SAFE Instrument that has come to its notice and that affects the financial interests of the Union.

PART 3

FINAL PROVISIONS

ARTICLE 11

Territorial Scope

This Agreement applies to:

- (a) the territories to which the "Treaty on European Union", the "Treaty on the Functioning of the European Union" and the "Treaty establishing the European Atomic Energy Community" are applicable, and under the conditions laid down in those Treaties; and
- (b) the territory of Canada.

ARTICLE 12

Annex and Footnotes

The Annex and footnotes to this Agreement constitute integral parts of this Agreement.

ARTICLE 13

Consultations and Resolution of Disputes

1. A Party may request consultations with the other Party regarding any matter arising under this Agreement by delivering a written request to the Contact Point of the other Party. The Party shall present the matter clearly in the request, identify the questions at issue, and provide a brief summary of any claims under this Agreement. Consultations must commence promptly after a Party delivers a request for consultations.
2. During consultations, each Party shall provide the other Party with sufficient information in its possession to allow a full examination of the matters raised, subject to its law regarding the protection of confidential or proprietary information and subject to its obligations under Article 9 of this Agreement.
3. If relevant, and if both Parties consent, the Parties shall seek information or the views of any person, organisation, or body, including any implicated contracting authority, contractor or subcontractor, that may contribute to the examination of the matter at issue.
4. If a Party considers that further discussion of the matter is required, that Party may request that the SAFE Joint Committee be convened to consider the matter by delivering a written request to the Contact Point of the other Party. The SAFE Joint Committee must convene promptly after a Party delivers that request and will endeavour to resolve the matter.

5. The Parties shall seek to resolve the matter through consultations. For matters relating to Canada's financial contribution under this Agreement, either Party may have recourse to the rules and procedures set out in Section B, Sub-section A of Section C and Section D of Chapter 29 (except the last sentence of Article 29.17) of the "Comprehensive Economic and Trade Agreement between Canada and the European Union and its Member States", done at Brussels on 30 October 2016 ("CETA"). In accordance with Article 29.10 of CETA, a ruling of an arbitration panel in its final report shall be binding on the Parties. Any references to notifications to the CETA Joint Committee in Chapter 29 of CETA shall be understood for the purpose of this Agreement as references to the SAFE Joint Committee established by Article 4 of this Agreement.
6. The responding Party shall take any measures necessary to comply with the final arbitration panel report no later than 30 days after the receipt of that final arbitration panel report by the Parties.
7. If the responding Party fails to comply with the final arbitration panel report, the requesting Party may suspend its obligations or receive compensation at a level equivalent to the financial amount determined by the arbitration panel.

ARTICLE 14

Suspension and Termination

1. The application of this Agreement may be suspended by the Union in case of non-payment of any contribution due by Canada in accordance with Article 6 of this Agreement and the Annex to this Agreement.

2. Suspension of the application of this Agreement shall be notified by the Union to Canada in writing and shall take effect 45 days following the receipt of the notification by Canada.
3. In the event the application of this Agreement is suspended, Canadian legal entities shall not be eligible to participate in award procedures that are not yet completed when the suspension takes effect. An award procedure shall be considered completed when legal commitments have been entered into as a result of that procedure.
4. The Union shall immediately notify Canada once the entire amount of any contribution due has been received. The suspension shall be lifted immediately upon this notification.
5. On the date the suspension is lifted, Canadian legal entities shall again be eligible to participate in award procedures for which the deadlines for submission of applications have not expired.
6. If, after the end of the period of availability of the loans under the SAFE Instrument, or after termination of this Agreement by one of the Parties pursuant to paragraphs 8 and 9 of this Article, Canada has not complied with its obligation to pay the financial contribution referred to in Article 6 of this Agreement, and any suspension under paragraph 1 has not been lifted, then the Union, after notifying Canada, shall be entitled to be compensated for the financial amount due by Canada. The compensation will be equivalent in financial terms to the amount due by Canada, including the application of late payment interest in accordance with paragraph 6 of Article 1 of the Annex. The Union shall immediately notify Canada when it has received the entire amount of the administrative contribution or the participation contribution.

7. The suspension of the application of this Agreement does not affect the legal commitments entered into with Canadian legal entities before that suspension takes effect. This Agreement shall continue to apply to those legal commitments.

8. Either Party may terminate this Agreement at any time by providing written notification of termination to the other Party. The termination shall take effect 90 days after the date on which the other Party receives the written notification. The date on which the termination takes effect shall constitute the termination date for the purposes of this Agreement.

9. If this Agreement is terminated in accordance with paragraph 8 of this Article, the Parties agree that:

- (a) legal commitments that have been entered into after the entry into force of this Agreement, and before the termination of this Agreement takes effect, shall continue until their completion under the conditions laid down in this Agreement;
- (b) all annual financial contributions owed after the entry into force of this Agreement shall be paid entirely in accordance with Article 6 of this Agreement; and
- (c) the Parties shall settle by mutual consent any other consequences relating to the termination of this Agreement.

10. During a suspension of the application of this Agreement, or after its termination, all information shared under this Agreement shall continue to be protected in accordance with the protections and safeguards set out in Article 9 of this Agreement.

ARTICLE 15

Entry into force and Provisional application

1. Each Party shall approve this Agreement in accordance with its respective internal requirements and procedures. Each Party shall notify the other Party of the completion of its respective internal requirements and procedures.
2. This Agreement shall enter into force on the first day of the second month following the month in which the last notification provided for in paragraph 1 of this Article has been carried out.
3. The Union and Canada shall apply this Agreement provisionally pending its entry into force in accordance with their respective internal requirements and procedures. The provisional application of this Agreement begins on the later of the dates on which each Party has notified the other of the completion of its internal requirements and procedures necessary for that purpose.
4. If either Party notifies the other that it will not complete its internal requirements and procedures necessary for the entry into force of this Agreement, this Agreement shall cease to apply provisionally on the date of receipt of that notification by the other Party, which shall constitute the date of the termination of the provisional application for the purposes of this Agreement.
5. If this Agreement ceases to apply provisionally in accordance with paragraph 4 of this Article:
 - (a) legal commitments that have been entered into after the provisional application of this Agreement, and before this Agreement ceases to provisionally apply, shall continue until their completion under the conditions laid down in this Agreement;

- (b) all annual financial contributions owed after the provisional application of this Agreement shall be paid entirely in accordance with Article 6 of this Agreement; and
- (c) the Parties shall settle by mutual consent any other consequences relating to the termination of the provisional application of this Agreement.

6. After termination of the provisional application of this Agreement, all information shared under this Agreement shall continue to be protected in accordance with the protections and safeguards set out in Article 9 of this Agreement.

This Agreement shall be drawn up in duplicate in the Bulgarian, Croatian, Czech, Danish, Dutch, English, Estonian, Finnish, French, German, Greek, Hungarian, Irish, Italian, Latvian, Lithuanian, Maltese, Polish, Portuguese, Romanian, Slovak, Slovenian, Spanish and Swedish languages, each text being equally authentic.

IN WITNESS WHEREOF, the undersigned, duly authorised thereto, have signed this Agreement.

Done at ... this day of ... in the year ...

For the European Union

For Canada

ARTICLE 1

Terms of payment

1. Payments due pursuant to Article 6 of this Agreement shall be made in accordance with this Article.
2. When issuing the call for funds for each year this Agreement is in effect, the Commission shall communicate to Canada as soon as possible and at the latest on March 1 of each financial year the amount of the participation contribution referred to in paragraph 5, point (b), of Article 6 of this Agreement and, if applicable, adjusted according to paragraph 3, point (c), of Article 2 of this Annex.
3. The Commission shall issue to Canada, at the latest on March 1 of each calendar year in which this Agreement is in effect, a call for funds that corresponds to the financial contribution of Canada under this Agreement.
4. Canada shall pay the amount indicated in this call for funds within 60 days of the date of issue of the call for funds.
5. Any delay in the payment of the financial contribution shall give rise to the payment of late payment interest by Canada on the outstanding amount as from the due date until the day on which that outstanding amount is paid in full.

6. The interest rate for amounts receivable not paid on the due date shall be the rate applied by the European Central Bank to its principal refinancing operations, as published in the C series of the *Official Journal of the European Union*, in force on the first day of the month in which the due date falls, or 0 %, whichever is higher, plus 3,5 percentage points.

ARTICLE 2

Annual review of the participation contribution

1. An annual review of the Canadian participation contribution shall take place during January and February of each year after the year of entry into force of this Agreement, until February 2031.
2. Following each review, the Union shall provide Canada with all relevant information used to determine the Canadian participation contribution in accordance with this Article. The Union shall provide this information to Canada before it makes a call for funds pursuant to Article 1 of this Annex.
3. From 2027, the annual Canadian participation contribution shall be determined by the Union as follows:
 - (a) for contracts where more than 65 % of the total value of the content originates either in the Union, an EEA EFTA State or Ukraine, the participation contribution is zero;

- (b) for contracts where 65 % or less of the total value of the content originates either in the Union, an EEA EFTA State or Ukraine, the participation contribution is equal to 15 % of the sum of the total value of:
- (i) contracts supported by the SAFE Instrument awarded to Canadian legal entities minus the value subcontracted to non-Canadian legal entities; and
 - (ii) contracts subcontracted to Canadian legal entities in contracts awarded to non-Canadian entities;
- (c) the Union shall deduct from the amount determined under paragraph 3, points (a) and (b), of this Article any remaining value of the initial instalment referred to in paragraph 5, point (a), of Article 6 of this Agreement:
- (i) if the result of this calculation is a negative number, the equivalent positive amount shall be the yearly participation contribution to be paid; or
 - (ii) if the result of this calculation is a positive number, this amount constitutes the remaining value of the initial instalment for the next annual review, and the participation contribution for that year is zero.
4. A final review shall take place, no later than six months after the end of the SAFE Instrument.
5. Member States shall provide contractual data related to the contracts supported by the SAFE Instrument to allow for the application of this Article.
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