

ARTICLES OF ASSOCIATION

1. General provisions

- 1.1. *Eesti Arengufond* (hereinafter *the Development Fund*) is a legal person in public law established under the Estonian Development Fund Act.
- 1.2. The English name of *Eesti Arengufond* is the Estonian Development Fund.
- 1.3. The seat of the Development Fund is the place where the Management Board of the Development Fund is located.
- 1.4. In its activities the Development Fund is guided by the Estonian Development Fund Act, other legislation and these Articles of Association.
- 1.5. The goals and duties of the Development Fund have been stipulated in the Estonian Development Fund Act.
- 1.6. The Development Funds comprises structural units. The duties, rights, obligations and work organisation of a structural unit have been set out in the statutes of the respective structural unit, which are approved by the Management Board. The Supervisory Board approves the rules of internal audit.
- 1.7. The Development Fund has its own logo, seal and insignia the design and procedure of use of which is approved by the Management Board.

2. Management

- 2.1. The directing bodies of the Development Fund is the Supervisory Board of the Development Fund (hereinafter *the Supervisory Board*) and the Management Board of the Development Fund (hereinafter *the Management Board*).
- 2.2. The Supervisory Board and Management Board may establish ad hoc committees or standing committees for performance of the duties of the Development Fund. A decision on establishment of a committee shall specify the purpose, rights and duties, and members of the committee, and the bases and procedure for remuneration of persons participating in the work of the committee.
- 2.3. Members of the Supervisory Board and Management Board participating in the work of the committee shall not receive any remuneration for participating in the work of the committee.
- 2.4. A person who is not a member of the Supervisory Board or Management Board may be appointed a member of the committee upon his or her written consent.

3. Supervisory Board

- 3.1. The Supervisory Board is the highest directing body of the Development Fund. The Supervisory Board plans the activities of the Development Fund and organises management of the Development Fund and exercises supervision over the Development Fund and the Management Board thereof.
- 3.2. The competence of the Supervisory Board includes:
 - 3.2.1. approval of the Articles of Association of the Development Fund;
 - 3.2.2. approval of the Strategy of the Development Fund;
 - 3.2.3. approval of the Investment Strategy of the Development Fund;
 - 3.2.4. approval of the Foresight Action Plan;
 - 3.2.5. election of the Chairman of the Management Board by way of an open application procedure, approval of the composition of the Management Board based on a proposal of the Chairman of the Management Board, and establishment of the remuneration of the members of the Management Board;
 - 3.2.6. appointment and removal of the Chairman and members of the Expert Committee based on a proposal of the Management Board;
 - 3.2.7. election of the auditor and internal auditor;
 - 3.2.8. arrangement of internal audits, approval of the internal audit schedule and making decisions on the basis of internal audit results;
 - 3.2.9. approval of the budget for the financial year and exercising supervision over implementation of the budget;

- 3.2.10. approval of the annual report;
- 3.2.11. deciding on involvement of additional finances and entry into loan and credit agreements based on a proposal of the Management Board;
- 3.2.12. establishment of the principles of investment of the assets of the Development Fund;
- 3.2.13. approval of internal work procedure rules, incl. accounting policies and procedures;
- 3.2.14. deciding on foundation and winding-up of legal persons based on a proposal of the Management Board;
- 3.2.15. deciding on transfer and encumbrance of shares handed over to the Development Fund for formation of investment capital;
- 3.2.16. other duties arising from the Estonian Development Fund Act.
- 3.3. The Supervisory Board comprises nine members who are appointed pursuant to the procedure provided for in the Estonian Development Fund Act. The term of office of the members of the Supervisory Board is 4 (four) years, unless otherwise provided in the Estonian Development Fund Act.
- 3.4. Members of the Supervisory Board elect the Chairman and Vice Chairman of the Supervisory Board from among themselves.
- 3.5. The work format of the Supervisory Board is meetings. Meetings of the Supervisory Board are closed. The Chairman of the Management Board attends the meetings, unless otherwise decided by the Supervisory Board.
- 3.6. Meetings of the Supervisory Board are held at the seat of the Development Fund or in another place specified by the person calling the meeting.
- 3.7. The Supervisory Board has a quorum only if no less than 5 (five) members of the Supervisory Board attend the meeting, incl. the Chairman or Vice Chairman of the Supervisory Board.
- 3.8. Decisions of the Supervisory Board are adopted by simple majority of the members of the Supervisory Board attending the meeting. Upon equal division of votes the vote of the Chairman of the Supervisory Board or, upon his absence, that of the Vice Chairman is the casting vote. In issues specified in the Estonian Development Fund Act decisions of the Supervisory Board can be adopted only by way of a majority vote of the members of the Supervisory Board.
- 3.9. A member of the Supervisory Board personally participates in making decisions. Each member of the Supervisory Board has 1 (one) vote. A member of the Supervisory Board does not have the right to abstain or remain undecided. A member of the Supervisory Board is not allowed to vote if it results in a conflict of interests for the purposes of subsection 13 (3) of the Estonian Development Fund Act.
- 3.10. More detailed work organisation and records management of the Supervisory Board has been provided for in the Rules of Procedure of the Supervisory Board.

4. Management Board

- 4.1. The Management Board is a directing body of the Development Fund, which represents and directs the Development Fund. The duty of the Management Board to plan and organise the day-to-day activities of the Development Fund. In directing the Development Fund the Management Board shall follow legal orders of the Supervisory Board.
- 4.2. The competence of the Management Board includes direction of the day-to-day activities of the Development Fund, including:
 - 4.2.1. preparation and implementation of the Investment Strategy;
 - 4.2.2. searching for investment projects corresponding to the goals and Investment Strategy of the Development Fund and preparation of the projects for submission to the Expert Committee;
 - 4.2.3. deciding on acquisition and the size of shareholding in companies constituting investment objects pursuant to the recommendations of the Expert Committee, deciding on transfer of shareholding and management of investment projects;
 - 4.2.4. appointment of representatives of the Development Fund in directing bodies of companies constituting investment objects;
 - 4.2.5. investment of the available funds of the Development Fund;
 - 4.2.6. drawing up the draft budget for the financial year;

- 4.2.7. drawing up the annual report and submitting it to the Supervisory Board;
- 4.2.8. making proposals to the Supervisory Board regarding foundation and winding-up of legal persons, foundation and winding-up of legal persons based on a decision of the Supervisory Board;
- 4.2.9. entry into loan and credit agreements for involvement of additional finances based on a decision of the Supervisory Board;
- 4.2.10. deciding on acquisition, transfer and encumbrance of immovable property and registered movable property;
- 4.2.11. deciding on disposal of property, unless it has been placed within the competence of the Supervisory Board based on the Estonian Development Fund Act;
- 4.2.12. arranging fulfilment of decisions of the Supervisory Board;
- 4.2.13. deciding on other management issues, unless it has been placed within the competence of the Supervisory Board based on the Estonian Development Fund Act.
- 4.3. The Management Board of the Development has up to three members. The exact number of the members of the Management Board is decided by the Supervisory Board. Their term of office of the composition of the Management Board is 5 (five) years. The Supervisory Board has the right to remove a member of the Management Board at any time.
- 4.4. The Chairman of the Management Board organises the activities of the Management Board.
- 4.5. Meetings of the Management Board are held when necessary, but not less often than twice a month. Meetings of the Management Board are closed, unless the Management Board decides otherwise.
- 4.6. A meeting of the Management Board has a quorum is over a half of the members of the Management Board, including the Chairman of the Management Board, attend the meeting.
- 4.7. Decisions of the Management Board are made by majority vote. Upon equal division of votes the vote of the Chairman of the Management Board is the casting vote.
- 4.8. A member of the Management Board personally participates in making decisions. Each member of the Management Board has one vote. A member of the Management Board does not have the right to abstain or remain undecided. A member of the Management Board is not allowed to vote if it results in a conflict of interests.
- 4.9. The Management Board has the right to make decisions without calling a meeting.
- 4.10. More detailed work organisation and records management of the Management Board has been provided for in the Rules of Procedure of the Management Board, which are approved by the Management Board.

5. Expert Committee

- 5.1. The Expert Committee is an advisory body, which makes investment recommendations to the Management Board regarding investment projects prepared by the Management Board in accordance with the Investment Strategy approved by the Supervisory Board, assessing the compliance of specific investment projects and the planned investment with the goals of the Development Fund and the cost-effectiveness and profitability of the project, the Development Fund's ability to implement the investment project and the future potential of the investment.
- 5.2. The Expert Committee has 7 (seven) members. Members of the Expert Committee are appointed and removed by the Supervisory Board based on a proposal of the Management Board. A member of the Expert Committee is appointed for 5 (five) years. The Supervisory Board has the right to remove a member of the Expert Committee at any time.
- 5.3. The Chairman of the Management Board enters into a contract of service with members of the Expert Committee, stipulating the rights, duties, responsibilities, remuneration of the member of the Expert Committee and other terms and conditions. A member of the Expert Committee receives remuneration the size of which depends on the quality and volume of the work of the Expert Committee, incl. the frequency of meetings and attendance of the meetings. The procedure for payment of remuneration and, where necessary, compensation for expenses is stipulated in the Rules of Procedure of the Expert Committee.
- 5.4. The Management Board appoints the Chairman and Vice Chairman of the Expert Committee.

- 5.5. The Expert Committee meets when necessary. Meetings of the Expert Committee are closed, unless otherwise decided by the Expert Committee.
- 5.6. A meeting of the Expert Committee has a quorum if at least 5 (five) members of the Expert Committee, incl. the Chairman or Vice Chairman of the Expert Committee, participate in the meeting.
- 5.7. Decisions of the Expert Committee are made by majority vote. Upon equal division of votes the vote of the Chairman of the Expert Committee or, upon his absence, that of the Vice Chairman is the casting vote.
- 5.8. A member of the Expert Committee personally participates in making decisions. Each member of the Expert Committee has one vote. A member of the Expert Committee does not have the right to abstain or remain undecided. A member of the Expert Committee is not allowed to vote if it results in a conflict of interests.
- 5.9. The Expert Committee has the right to make decisions without calling a meeting.
- 5.10. More detailed work organisation and records management of the Expert Committee has been provided for in the Rules of Procedure of the Expert Committee, which are approved by the Management Board.

6. Procedure for disposal and use of the assets of the Development Fund

- 6.1. The Development Fund is the owner of its assets.
- 6.2. The assets of the Development Fund comprise:
 - 6.2.1. state budget allocations;
 - 6.2.2. assets handed over by the state for a specific purpose;
 - 6.2.3. other allocations and donations;
 - 6.2.4. revenue derived from the investment activities of the Development Fund;
 - 6.2.5. revenue derived from investing the assets of the Development Fund;
 - 6.2.6. other revenue.
- 6.3. The Development Fund uses its assets according to the prescribed purpose and solely for the purposes provided for in the Estonian Development Fund Act.
- 6.4. The Development Fund shall not assume obligations that are in conflict with the Estonian Development Fund Act and the goals of the Development Fund.
- 6.5. The Management Board may enter into loan and credit agreements for the purpose of involving additional finances required for the activities of the Development Fund exclusively upon consent of the Supervisory Board. The Development Fund may grant a loan or credit to another person only in the case provided for in the Estonian Development Fund Act.
- 6.6. The Development Fund shall not transfer the assets of the Development Fund, including securities and shares, to interested parties or acquire assets from them at the expense of the assets of the Development Fund, unless it is done in a regulated securities market or by way of a public auction.
- 6.7. The Supervisory Board approves the principles of investment of the assets of the Development Fund. The goal of ensuring preservation, liquidity and productivity is pursued upon investment of assets.

7. Organisation of investment

- 7.1. The Management Board shall establish an investment division for organisation of the investment activities of the Development Fund.
- 7.2. The essence of the investment activities of the Development Fund lies in making investments out of the investment capital on the basis of the Estonian Development Fund Act.
- 7.3. In investment activities the Development Fund has the right to found venture capital funds corresponding to the goals and duties of the Development Fund or participate in them. The Development Fund has the right to invest investment capital in venture capital funds to the extent of up to 1/3 (one-third) of the investment capital.
- 7.4. The Investment Funds Act is not applicable to the investment activities of the Development Fund, except the investment activities specified in subsection 7.2 of these Articles of Association.

- 7.5. The Management Board makes investments pursuant to the Estonian Development Fund Act, the Investment Strategy of the Development Fund approved by the Supervisory Board and recommendations of the Expert Committee.
- 7.6. If the Expert Committee does not approve an investment project, the Management Board shall have the right to implement the respective investment project only upon the consent of the Supervisory Board.
- 7.7. The Development Fund makes investments solely in accordance with the principles laid down in the Estonian Development Fund Act.
- 7.8. Investment restrictions have been stipulated in the Estonian Development Fund Act.

8. Organisation of foresight

- 8.1. The Management Board shall establish a foresight division for organisation of development monitoring.
- 8.2. Foresight means systematic assessment of long-term developments in research, technology, economy, environment and society, and conducting respective surveys and analyses with the goal of identifying the key areas and strategic development trends, which will bring extensive economic and social benefits in the long run.
- 8.3. The Foresight Action Plan is prepared, among other things, in accordance with the goals of the field-specific strategies approved by the Riigikogu and the Government of the Republic.
- 8.4. The Foresight Action Plan must support the Investment Strategy approved by the Supervisory Board of the Development Fund.

9. Reporting and supervision

- 9.1. The financial year of the Development Fund starts on January 1 and ends on December 31.
- 9.2. The Development Fund has an auditor.
- 9.3. The Development Fund reports of its activities to the Riigikogu, submitting an overview of based on the annual report of the last financial year not later than in the second working week of the autumn session of the plenary assembly of the Riigikogu.
- 9.4. The Development Fund has an internal auditor whose duty is to monitor the day-to-day activities of the Development Fund and the compliance thereof with legislation, the Articles of Association and decisions of the Supervisory Board, Management Board and Chairman of the Management Board.

10. Final provisions

- 10.1. Approval and amendment of the Articles of Association is in the competence of the Supervisory Board.
- 10.2. The decision of approval and amendment of the Articles of Association can only be taken by way of a majority vote of the members of the Supervisory Board.
- 10.3. The Management Board makes a proposal to the Supervisory Board to approve and amend the Articles of Association of the Development Fund.