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## Estonian Development Fund Act

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Amended by the following acts

Passed	Published	Entry into force
20.02.2009	RT I 2009, 15, 93	01.03.2009
11.11.2009	RT I 2009, 57, 381	01.01.2010
27.01.2010	RT I 2010, 9, 41	08.03.2010
22.04.2010	RT I 2010, 22, 108	01.01.2011 entry into force on the date determined in the Decision of the Council of the European Union regarding the abrogation of the derogation established in respect of the Republic of Estonia on the basis provided for in Article 140 (2) of the Treaty on the Functioning of the European Union, Council Decision 2010/416/EU of 13 July 2010 (OJ L 196, 28.07.2010, pp. 24-26).
14.12.2011	RT I, 30.12.2011, 2	09.01.2012
06.06.2012	RT I, 29.06.2012, 1	01.04.2013, partially 01.01.2014
19.02.2014	RT I, 13.03.2014, 2	23.03.2014, partially 01.01.2015, 01.01.2017 and 01.01.2019
11.02.2015	RT I, 04.03.2015, 2	14.03.2015
14.06.2016	RT I, 28.06.2016, 4	29.06.2016, partially 01.01.2017 and 01.07.2017
14.12.2016	RT I, 31.12.2016, 3	10.01.2017

### Chapter 1 GENERAL PROVISIONS

#### § 1. Scope of Regulation of Act

This Act shall lay down the objectives, functions, competence, legal status and bases of activities and management of the Estonian Development Fund (hereinafter the Development Fund).

#### § 2. Objectives and Functions of Development Fund

(1) The objective of the Development Fund is to stimulate and support changes in the Estonian economy, which contribute to the updating of the economy, ensuring the growth in exports and creation of new jobs requiring high qualification. The Development Fund supports increase in innovation awareness, emergence of innovative business ideas and growth of entrepreneurship in the society as a whole.

(2) The Development Fund shall perform the following functions to achieve its objectives:

1) investment in the knowledge and technology intensive Estonian business in the start-up phase and offering other support to the respective undertakings as required;

[RT I, 04.03.2015, 2 - entry into force 14.03.2015]

2) [repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]

3) [repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]

### **§ 3. Legal status and bases for activities of Development Fund**

(1) The Development Fund is a legal entity governed by public law established by this Act. The legal capacity of the Development Fund shall be created as of the entry into force of this Act.

(2) The Development Fund shall be registered in the state register of state and local government agencies pursuant to the procedure provided for in the statutes of this register.

(3) The Development Fund shall be directed in its activities by this Act, the statutes of the development fund (hereinafter the statutes) and other legislation.

(4) Merger, division and reorganisation of the Development Fund is prohibited.

(5) The Development Fund shall be dissolved on the basis of the law.

### **§ 4. Reporting to Riigikogu**

[Repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]

### **§ 5. Cooperation of Development Fund and Government of Republic**

[Repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]

### **§ 6. Name**

(1) The official name of the Development Fund is the Estonian Development Fund.

(2) The Development Fund shall have the sole right to its name.

### **§ 7. Seat**

The seat of the Development Fund shall be the seat of the management board of the Development Fund.

## **Chapter 2 MANAGEMENT AND STATUTES OF DEVELOPMENT FUND**

### **§ 8. Management of Development Fund**

The Development Fund shall be managed by the supervisory board and management board.

### **§ 9. Competence of supervisory board of Development Fund**

(1) The highest directing body of the Development Fund is the supervisory board of the Development Fund (hereinafter the supervisory board), consisting of nine members. The supervisory board shall plan the activities of the Development Fund, organise the management of the Development Fund and conduct supervision over the activities of the Development Fund and its management board.

(2) The supervisory board shall have the following competences:

- 1) approval of the statutes of the Development Fund;
- 2) approval of the investment strategy;
- 3) [repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]
- 4) [repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]
- 5) appointment and removal of the chairman and members of the expert committee on the proposal of the management board, specified in § 34 of this Act;
- 6) [repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]
- 7) [repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]
- 8) approval of the budget for the financial year and supervision over the implementation of the budget;
- 9) approval of annual report;
- 10) [repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]
- 11) [repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]
- 12) [repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]
- 13) adoption of decisions regarding the establishment and dissolution of legal entities on the proposal of the management board;
- 14) adoption of decisions regarding the transfer of the shares transferred to the Development Fund for the establishment of investment capital.
- 15) other functions arising from this Act.

(3) On the proposal of the management board, the supervisory board shall adopt decisions in matters related to the activities of the Development Fund but not specified in subsection (2) of this section.

(4) For the performance of their functions the supervisory board shall have the right to review all the documents of the Development Fund, as well as verify the accuracy of the accounting, existence of the assets and the compliance of the activities of the Development Fund with law, the statutes and the decisions of the supervisory board.

#### **§ 10. Members of supervisory board**

(1) The Government of the Republic shall appoint two members from among the members of the Government of the Republic to act as members of the supervisory board for the term of office of up to four years, but not for longer than the period of validity of their authorisation. Upon assumption of office by a new government the Government of the Republic shall appoint members of the supervisory board at the latest in the second working week of the session thereof.

(2) The organisation joining rectors of public universities shall appoint two members of the supervisory board from among the members of the councils of public universities on condition that they do not belong to the council of the same public university, and at least one of them is a rector of a public university. Such members of the supervisory board are appointed for the term of office up to four years but not for longer than their term of employment as a member of the council of the public university.

(3) The Riigikogu shall appoint five members of the supervisory board on the proposal of the Economic Affairs Committee of the Riigikogu for the term of up to four years. Two of the members shall be the members of the Riigikogu and three of them the representatives of the business sector and the public. Upon expiry of the term of office of a member of the Riigikogu his or her powers as a member of the supervisory board shall continue until the appointment of a new member of the Riigikogu.

(4) The Government of the Republic, the Riigikogu and the organisation joining the rectors of public universities may recall a member of the supervisory board that they have appointed before the expiry of the term of office in justified cases, immediately appointing a new member to the supervisory board.

(5) A member of the supervisory board shall be a natural person with active legal capacity, who has the knowledge and experience required for the performance of his or her functions. The members of the supervisory board, appointed by the Riigikogu, shall have an academic degree and working experience in areas related to strategic planning of economic development or innovation policies.

(6) A member of the supervisory board shall not be a person who has been deprived of the right to be an undertaking either by law or court judgement, or a person who is under preliminary investigation or is being prosecuted for a crime punished with imprisonment by law, as well as a person who has a criminal record for criminal official misconduct or any other intentionally committed crime.

(7) Monthly remuneration of a member of the supervisory board shall be one and a half minimum monthly wages. The monthly remuneration of a member of the supervisory board, elected the chairman of the supervisory board or during the period of acting in the capacity of the chairman of the supervisory board shall be four minimum monthly wages. The work in the supervisory board of the members of the Government of the Republic shall not be remunerated.

[RT I 2009, 15, 93 - entry into force 01.03.2009]

(8) A member of the supervisory board shall be recalled immediately in the following circumstances:

- 1) a judgement of conviction in a criminal matter has entered into force regarding the member concerned;
- 2) a judgement on depriving the right of a member to act as an undertaking or the deprivation of the right to act as an undertaking by law has entered into force regarding the member concerned;
- 3) he or she does not comply with the requirements provided for in this Act or has submitted falsified information regarding the compliance with these requirements;
- 4) he or she has failed to perform his or her duties to a substantial extent, damaged the interests of the Development Fund or there is some other good reason that would make the member of the supervisory board unsuitable to perform his or her duties.

(9) A member of the supervisory board may be recalled before the expiry of his or her term of office in case of illness lasting for longer than four months, as a result of which he or she is unfit to perform his or her duties.

#### **§ 11. Chairman and deputy chairman of supervisory board**

(1) The members of the supervisory board shall elect a chairman and deputy chairman of the supervisory board from amongst themselves. Until the election of the chairman the eldest member of the supervisory board shall perform the duties of the chairman.

(2) The chairman of the supervisory board shall:

- 1) organise the activities the supervisory board;
- 2) chair the meetings of the supervisory board;

- 3) monitor the implementation of the decisions of the supervisory board;
- 4) represent the supervisory board.

(3) In the absence of the chairman of the supervisory board his or her duties shall be performed and rights exercised by the deputy chairman.

#### **§ 12. Meeting of supervisory board**

(1) A meeting is the form of work of the supervisory board.

(2) Meetings of the supervisory board shall take place as required but not less frequently than once every three months.

(3) A meeting shall be called by the chairman of the supervisory board or a member replacing him or her. A written notice shall be given of the meeting and its agenda for at least seven days before the meeting.

(4) Should this be required by at least two members of the supervisory board or the management board of the Development Fund, the meeting shall be called within two days.

(5) The supervisory board shall have a quorum only if at least five members of the supervisory board, including the chairman or deputy chairman of the supervisory board, are present. The meetings of the supervisory board shall be closed.

#### **§ 13. Decision of supervisory board**

(1) The decisions of the supervisory board shall be adopted with the majority vote of the members of the supervisory board participating in the meeting. The vote of the chairman of the supervisory board or, in his or her absence, of the deputy chairman of the supervisory board shall be decisive in case of equal distribution of votes. The decisions concerning the matters specified in clauses 9 (2) 1) – 2), 8) – 11) and 14) may only be adopted with the majority vote of the membership of the supervisory board.

(2) A member of the supervisory board shall participate in decision making personally. Each member of the supervisory board shall have one vote. A member of the supervisory board shall have no right to refrain from voting or abstain, except in cases specified in subsection (3) of this section.

(3) A member of the supervisory board may not vote if this would bring about a conflict of interests. There is a conflict of interests if the member of the supervisory board is required to participate in the adoption of a decision that may have effect on the economic interests of himself or herself, his or her close relatives or in-laws or legal entities related to him or her.

#### **§ 14. Minutes of meeting of supervisory board**

(1) Minutes are taken of the meetings of the supervisory board. The decisions made at the meeting of the supervisory board, voting results and dissenting opinions of the members of the supervisory board shall be recorded in the minutes. Other information to be recorded in the minutes and requirements for recording shall be provided for in the statutes, as required.

(2) The minutes shall be signed by the chairman of the meeting and the minute taker.

(3) The minutes shall be made available to the members of the supervisory board at the seat of the Development Fund as of the seventh day following the meeting.

(4) The minutes and annexes thereto shall be kept at the seat of the Development Fund without determining the retention period. The chairman of the supervisory board of the Development Fund shall organise the safekeeping of the minutes and annexes thereto and assume responsibility for the preservation thereof.

#### **§ 15. Liability of members of supervisory board**

(1) The members of the supervisory board are solidarily liable for any damage caused by violation of their duties to the Development Fund.

(2) A member of the supervisory board shall be relieved from liability to the Development Fund when holding on to a dissenting opinion upon the adoption of a decision causing damage to the Development Fund and the dissenting opinion has been recorded in the minutes or if he or she did not participate in the meeting that adopted such decision.

(3) The limitation period for filing a claim against a member of the supervisory board is five years as of the date of causing the damage.

## **§ 16. Management board of Development Fund**

(1) The management board of the Development Fund (hereinafter the management board) shall represent and manage the Development Fund. The management board shall consist of up to three members. The exact number of the members of the management board shall be determined by the supervisory board.

(2) The function of the management board is the planning and organisation of daily activities of the Development Fund. The management board shall follow legitimate orders given by the supervisory board upon the management of the Development Fund.

(3) The competence of the management board includes management of everyday activities of the Development Fund, including:

- 1) preparation and implementation of the investment strategy;
- 2) search for investment projects in compliance with the objectives and investment strategy of the Development Fund and preparation of the projects for the submission to the expert committee;
- 3) adoption of decisions on the acquisition of holdings in companies or venture capital funds serving as the object of investment and determination of the size of a holding according to the recommendations given by the expert committee, adoption of decisions regarding the transfer of the holding and investment project management;

[RT I, 04.03.2015, 2 - entry into force 14.03.2015]

- 4) appointment of the Development Fund representatives to the management bodies of companies or venture capital funds serving as the object of investment;

[RT I, 04.03.2015, 2 - entry into force 14.03.2015]

- 5) [repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]
- 6) [repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]
- 7) [repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]
- 8) [repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]
- 9) [repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]
- 10) [repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]
- 11) [repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]
- 12) organisation of implementation of the decisions of the supervisory board;
- 13) adoption of decisions concerning other management issues which have not been given to the competence of the supervisory board under this Act.

(4) [Repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]

(5) The management board shall provide the equipment required for work of the supervisory board and the organisation of work pursuant to the decisions of the supervisory board.

(6) The management board shall provide the members of the supervisory board with the required information concerning the management. The management board shall submit a review of the economic activities and economic status of the Development Fund to the supervisory board at least once every three months. The review shall be published on the website of the Development Fund. The management board shall notify the supervisory board immediately of substantial deterioration of the economic status of the Development Fund and other material circumstances concerning the economic activities of the Development Fund.

## **§ 17. Members of management board**

(1) The term of office of the management board shall be five years. Upon the expiry of the term of office of the management board the supervisory board may approve of the second term of office of the chairman of the management board and other members thereof without organising a public competition. The supervisory board shall have the right to recall a member of the management board at any time.

(2) A member of the management board shall be a person with active legal capacity, permanently residing in Estonia and having the knowledge and experience required for the performance of his or her functions. The members of the management board shall have an academic degree and at least five years of working experience in areas related to financial analysis or investments or areas related thereto, preferably including working experience in an area related to venture capital investment.

(3) The supervisory board shall enter into a contract with a member of the management board, defining the rights and obligations of a member of the management board, the amount of remuneration paid and other terms and conditions of his or her employment. The Development Fund shall be represented by the chairman of the supervisory board upon entering into a contract with a member of the management board.

(4) A member of the management board may hold no other post or service or not be engaged in activities which, by nature, would restrict or may restrict the independence of the Development Fund, or have or may have a negative impact on the achievement of the objectives of the Development Fund and the performance of its functions. A member of the management board may belong to the supervisory board of such a company that

is financed from the resources of the Development Fund or the Development Fund holds a participation in such a company only as a representative of the Development Fund. A member of the management board may belong to the supervisory board of another company or foundation whose objectives are similar to the objectives of the Development Fund only with the consent of the supervisory board.

(5) A member of the management board shall not be a person who has been deprived of the right to be an undertaking by law of court judgement or a person who is under preliminary investigation or is being prosecuted for a crime punishable with imprisonment by law, as well as a person who has a criminal record for criminal official misconduct or any other intentionally committed crime.

#### **§ 18. Chairman of management board**

- (1) The chairman of the management board shall organise the activities of the management board.
- (2) The chairman of the management board shall:
  - 1) organise the accounting of the Development Fund;
  - 2) hire and release the employees of the Development Fund and make proposals to the supervisory board concerning the authorisation into and releasing from office the internal auditor;
  - 3) determine the rights and obligations of the employees of the Development Fund;
  - 4) approve of the remuneration of the employees within the limits of administrative costs approved by the supervisory board;
  - 5) enter into contracts for services with the chairman and members of the expert committee, taking account of the procedure and bases for remuneration stipulated in the statutes;
  - 6) decide on the expense level required for the activities of the Development Fund to the extent of and pursuant to the budget approved by the supervisory board;
  - 7) participate in the meetings of the supervisory board unless otherwise decided by the supervisory board;
  - 8) submit to the Riigikogu a review of the previous financial year specified in subsection 4 (1) of this Act and a report specified in subsection (2) of the same section on the achievement of the objectives imposed on the Development Fund by this Act;
  - 9) decide other issues which are in the competence of the chairman of the management board under this Act or the statutes of the Development Fund.

#### **§ 19. Right of representation of management board**

The Development Fund may be represented in all legal proceedings by the chairman of the management board; other members of the management board may represent the Development Fund jointly together with another member of the management board..

#### **§ 20. Liability of members of management board**

- (1) The members of the management board are solidarily liable to the Development Fund for any damage caused by violation of their obligations.
- (2) A member of the management board shall be relieved of liability if he or she did not participate in adoption of the decision or in the action that caused the damage or if he or she was acting on the basis of a legitimate decision adopted by the supervisory board.
- (3) The limitation period of a claim filed against a member of the management board is five years as of the date of causing the damage.
- (4) Members of the management board shall not be liable for the damages resulting from an investment project implemented under the recommendation of the expert committee provided that they have exercised sufficient diligence when managing the investment project and have taken reasonable measures for the success of the investment project or for the prevention of damage.

#### **§ 21. Maintaining business secret**

A member of the supervisory board, management board and expert committee is required to maintain business secrets of the Development Fund and companies and venture capital funds serving as the object of investments, which have become known to them in the course of acting as a member of the supervisory board, management board or expert committee.

[RT I, 04.03.2015, 2 - entry into force 14.03.2015]

#### **§ 22. Statutes**

- (1) The Statutes shall be approved by the supervisory board on the proposal of the management board.
- (2) The statutes shall specify:
  - 1) the structure of the Development Fund;
  - 2) the work organisation of the supervisory board, management board, expert committee and structural units;

- 3) the procedure for the establishment of the expert committee and the entering into contracts for services with the chairman and members of the expert committee;
- 4) bases for remuneration;
- 5) the procedure for the disposal and use of assets;
- 6) organisation and supervision of investment activities;
- 7) other conditions for the organisation of the activities of the Development Fund, which are not contrary to law.

## **Chapter 3**

### **ACCOUNTING AND CONTROL**

#### **§ 23. Accounting**

The accounts of the Development Fund are based on the Accounting Act, other relevant legislation and the statutes of the Development Fund.

#### **§ 24. Financial Year**

[Repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]

#### **§ 25. Annual report**

[Repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]

#### **§ 26. Auditor**

- (1) The Development Fund shall have an auditor who is appointed and recalled by the supervisory board.
- (2) An auditor may be appointed for a single audit or for a certain term.
- (3) A member of the supervisory board, management board or an employee of the Development Fund may not act as an auditor of the Development Fund.

#### **§ 27. Internal audit**

[Repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]

## **Chapter 4**

### **ASSETS OF DEVELOPMENT FUND**

#### **§ 28. Assets of Development Fund**

- (1) The Development Fund is the owner of the assets.
- (2) The assets of the Development Fund consist of:
  - 1) state budget allocations;
  - 2) assets transferred by the state for a specific purpose;
  - 3) other allocations and donations;
  - 4) revenues from investment activities of the Development Fund;
  - 5) revenues from investment of assets of the Development Fund;
  - 6) other receipts.
- (3) The Development Fund shall use its assets only for the purposes provided for by this Act.
- (4) The provisions of the State Assets Act shall not be applied to the possession, use and disposal of the assets of the Development Fund.  
[RT I 2009, 57, 381 - entry into force 01.01.2010]
- (5) [Repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]

#### **§ 29. Investment capital of Development Fund and financing of operational expenditures**

(1) Investment capital for specific purposes, which is formed from assets intended for a specific purpose and other funds transferred to the Development Fund by the state, including dividends payable on shares transferred to the Development Fund and funds received from the sale of shares and revenue gained from investments into investment capital, shall be established for the conduct of investment activities by the Development Fund.

(2) Operational expenditures of the Development Fund shall be financed from state budget appropriations.

(3) Revenues of the Development Fund from investment activities and investment of assets may be used to finance operational expenditures, based on the principle of the preservation of investment capital and the procedure approved by the supervisory board.

(4) In order to achieve the objectives of the Development Fund the management board shall carry out the acts necessary to involve assets of the funds established for purposes similar to the ones of the Development Fund and cooperate with the specified funds upon making investments.

### **§ 30. Restrictions on economic activities of Development Fund**

(1) The Development Fund may not undertake any obligations which are contrary to this Act and the objectives of the Development Fund.

(2) The management board may enter into loan and credit agreements to involve additional financial funds, necessary for the activities of the Development Fund, only with the consent of the supervisory board.

(3) The Development Fund may grant a loan or credit to another entity only in cases specified in subsection 36 (4) of this Act.

### **§ 31. Establishment of companies and other legal entities**

(1) The Development Fund may establish companies or other legal entities or participate in such entities for the performance of its functions.

(2) In investment activities the Development Fund is entitled to establish venture capital funds in compliance with the objectives and functions of the Development Fund or participate in such funds. For the purposes of this Act a venture capital fund is a legal entity or pool of assets in which the capital of one or several investors is involved with the purpose to invest it in the securities not traded in the regulated market in favour of those investors in compliance with the determined investment policies.  
[RT I, 04.03.2015, 2 - entry into force 14.03.2015]

(2<sup>1</sup>) [Repealed - RT I, 04.03.2015, 2 - entry into force 14.03.2015]

(3) [Repealed - RT I, 04.03.2015, 2 - entry into force 14.03.2015]

(4) The Development Fund may not participate in a general partnership or be a general partner in a limited partnership or manage general or limited partnership.

### **§ 32. Investment of assets of Development Fund**

(1) Investment of the assets of the Development Fund means the investment of the unused investment capital and other assets of the Development Fund for a specific purpose into liquid financial instruments in compliance with the requirements of this Act and the principles for investment of assets approved by the supervisory board.

(2) The Development Fund may organise the investment of its assets through an asset manager. The application of the provisions of the Public Procurement Act is not required for finding the asset manager. The following entities may act as the asset manager:

1) Eesti Pank;

2) the State Treasury;

3) a company registered in Estonia or a member state of the European Union or a subsidiary thereof that has a right to act as a management company, credit institution or investment firm.

(3) The objective of ensuring the safekeeping, liquidity and productivity shall be observed upon investment of the assets of the Development Fund. The supervisory board shall approve the principles of the allocation of assets of the Development Fund, based on the principles of the state cash flow management established on the basis of subsection 66 (5) of the State Budget Act.  
[RT I, 13.03.2014, 2 - entry into force 23.03.2014]

## **Chapter 5 INVESTMENT ACTIVITIES OF DEVELOPMENT FUND**

### **§ 33. Investment activities**

(1) The substance of the investment activities of the Investment Fund is making direct investments on account of investment capital on the basis provided for in § 35 of this Act and making investments in venture capital funds on the basis provided for in § 37<sup>1</sup> of this Act  
[RT I, 04.03.2015, 2 - entry into force 14.03.2015]



(2) Investments shall be made by the management board in compliance with the requirements specified in this Act, the investment strategy of the Development Fund approved by the supervisory board and recommendations of the expert committee.

(3) On the basis provided for in § 35 or § 37<sup>1</sup> of this Act the Development Fund may make investments also on account of additional funds involved under loan and credit contracts in the procedure provided for in this Act.  
[RT I, 04.03.2015, 2 - entry into force 14.03.2015]

(4) The provisions of the Investment Funds Act shall not be applied to investment activities of the Development Fund, except with regard to the investment fund managed by a company established by the Development Fund for the purposes of section 2 (1) of the Investment Funds Acts.  
[RT I, 31.12.2016, 3 - entry into force 10.01.2017]

(4<sup>1</sup>) With the consent of the supervisory board the Development Fund may organise making investments specified in subsection (1) of this section through one or several management companies, allocating investment capital into venture capital fund under the management company, which is in compliance with the conditions provided for in § 37<sup>1</sup> of this Act.  
[RT I, 04.03.2015, 2 - entry into force 14.03.2015]

(5) The management company controlled by the Development Fund managing venture capital fund in which the state or the Development Fund has acquired more than 50 per cent of the shares or stocks separately or together for the purpose of making investments specified in section (1) of this section, shall base the management of the specified venture capital fund on the principles and procedures provided for the respective investment activities of the Development Fund in Chapter 5 of this Act to the extent not provided for otherwise in the Investment Funds Act.  
[RT I, 04.03.2015, 2 - entry into force 14.03.2015]

(6) The Development Fund shall ensure that the risks and investments are sufficiently spread in its investment activities, taking account of the objectives of the Development Fund.  
[RT I, 04.03.2015, 2 - entry into force 14.03.2015]

(7) The more specific principles of investment activities of the Development Fund shall be specified in the investment strategy of the Development Fund, which shall be developed by the management board and approved by the supervisory board. The investment strategy shall include at least the following:

- 1) preferred business sectors in which investments are made;
- 2) requirements for participation of legal persons governed by private law upon making investments;
- 3) principles of supervision to be conducted over the investments, including requirements for participation of the representative of the Development Fund in the bodies of the undertakings and venture capital funds serving as the object of investments and in taking important decisions;
- 4) the total volume of investments of the Development Fund per one undertaking and venture capital fund;
- 5) the minimum and maximum amount of the holding of the Development Fund in an undertaking or venture capital fund serving as the object of investment, as well as the period of investment;
- 6) the limits on the fees paid on account of venture capital funds serving as the object of investment and the principles of distribution of the revenue of the funds.

[RT I, 04.03.2015, 2 - entry into force 14.03.2015]

### **§ 34. Expert committee**

(1) The management board shall make investments on the basis provided for in § 35 or § 37<sup>1</sup> of this Act pursuant to investment recommendations of the expert committee. The expert committee shall give investment recommendations on the investment projects prepared by the management board pursuant to the investment strategy approved by the supervisory board, assessing the compliance of the specific investment projects and planned investments with the objectives of the Development Fund and the profitability and cost-effectiveness of the project, the ability of the Development Fund to implement the investment project and the future potential of the investment.  
[RT I, 04.03.2015, 2 - entry into force 14.03.2015]

(2) The expert committee consists of seven members. Members of the expert committee shall be appointed and recalled by the supervisory board on the proposal of the management board. A member of the expert committee shall be appointed for a term of office of five-years. Experts from Estonia and other countries, who have the required knowledge and experience in economic, technological and financial areas and impeccable professional reputation, shall be appointed members of the expert committee. The statutes shall provide for the procedure for the establishment of the expert committee, the bases for payment of remuneration and entering into contracts with the experts, as well as the organisation of work of the expert committee.

(3) Considering the need to invest into businesses at different risk levels in order to achieve the objectives of the Development Fund, provided for in § 2 of this Act, the members of the expert committee shall not be held

materially liable for their investment recommendations. The supervisory board shall have the right to recall any member of the expert committee at any time on the proposal of the management board.

(4) The expert committee shall adopt the decisions regarding the investment recommendations to be given to the management board by the majority vote. The expert committee shall have a quorum for adopting a decision if at least five members of the expert committee are present.

(5) Should the expert committee refuse to approve an investment project, the management board shall have the right to implement the respective investment project only with the consent of the supervisory board.

### **§ 35. General principles for investment activities of Development Fund**

(1) The Development Fund shall invest into small and medium size undertakings, registered in Estonia that are focussed on innovation, are creating or using up-to-date technologies and developing new products, in doing so they have a substantial growth and export potential and a perspective to achieve a considerable position in the international target market, but they are not capable of meeting their capital requirements by other instruments operating in the economy.

(2) [Repealed - RT I, 04.03.2015, 2 - entry into force 14.03.2015]

(3) [Repealed - RT I, 04.03.2015, 2 - entry into force 14.03.2015]

(4) [Repealed - RT I, 04.03.2015, 2 - entry into force 14.03.2015]

(5) [Repealed - RT I, 04.03.2015, 2 - entry into force 14.03.2015]

(6) [Repealed - RT I, 04.03.2015, 2 - entry into force 14.03.2015]

### **§ 36. Investment methods**

(1) In general, the Development Fund shall invest in the fixed capital of an undertaking to be established, thereby acquiring the participation of the Development Fund in the undertaking to be established. The Development Fund may also invest in already established and operating undertakings, acquiring participation in the undertaking of the Development Fund by increasing its share or stock capital. The Development Fund shall not make investments by acquiring the participation held by other shareholders or participants, except in the cases provided for in the investment strategy.  
[RT I, 04.03.2015, 2 - entry into force 14.03.2015]

(2) The Development Fund may make investments only into the voting capital of an undertaking.  
[RT I, 04.03.2015, 2 - entry into force 14.03.2015]

(3) [Repealed - RT I, 04.03.2015, 2 - entry into force 14.03.2015]

(4) The Development Fund may grant loans or credit to undertakings together with an investment made by the Development fund into the fixed capital of the undertaking provided that this complies with the investment strategy of the Development Fund.  
[RT I, 04.03.2015, 2 - entry into force 14.03.2015]

(5) [Repealed - RT I, 04.03.2015, 2 - entry into force 14.03.2015]

(6) [Repealed - RT I, 04.03.2015, 2 - entry into force 14.03.2015]

### **§ 37. Investment restrictions**

(1) The Development Fund may not invest into alcohol, tobacco or weapon producing undertakings, undertakings organising gambling or engaged in the production of substances that are hazardous for the environment, but also in undertakings pursuing activities that do not comply with the law or are in controversy with general ethical and moral standards.

(2) [Repealed - RT I, 04.03.2015, 2 - entry into force 14.03.2015]

(3) The Development Fund shall take account of the state aid rules of the European Union in its activities.

### **§ 37<sup>1</sup>. Fund investments**

The Development Fund shall invest in venture capital funds under the terms and conditions or articles of association of which investments are made in the undertakings provided for in § 35 of this Act in a manner provided for in § 36 and taking account of the limits provided for in § 37 of at least such share of the assets of the venture capital fund which corresponds to the holding of the Development Fund in the respective venture capital fund.

[RT I, 04.03.2015, 2 - entry into force 14.03.2015]

### **§ 38. Restrictions on transactions with interested parties**

(1) The Development Fund shall not transfer the assets of the Development Fund, including securities and shares, to interested parties or acquire assets from interested parties on the account of the Development Fund assets in any other way than by participating in regulated securities market or public bidding.

(2) For the purposes of this Act the interested parties are:

- 1) members of the supervisory board and management board of the Development Fund and other employees of the Development Fund and the auditor of the Development Fund;
- 2) a person related to a person specified in clause 1) of this section for the purposes of the Anti-Corruption Act; [RT I, 29.06.2012, 1 - entry into force 01.04.2013]

## **Chapter 6 FORESIGHT ACTIVITIES OF DEVELOPMENT FUND**

§ 39.-§ 42. [Repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]

## **Chapter 7 IMPLEMENTATION PROVISIONS**

### **§ 43. Establishment of investment capital**

(1) The number of state-owned shares in AS Eesti Telecom equivalent to at least 3 percent participation shall be transferred to the Development Fund upon its foundation for a specific purpose of the establishment of the investment capital of the Development Fund. The Development Fund may use both the dividends received on shares and funds from the sale of shares for investment activities.

(2) The Government of the Republic shall decide and arrange for the transfer of the shares specified in subsection (1) of this section.

(3) The Development Fund shall coordinate the transfer of the shares transferred to the Development Fund with the Government of the Republic or a duly authorised ministry.

### **§ 43<sup>1</sup>. Return of Shares**

(1) The shares of AS Eesti Telekom transferred to the Development Fund for the establishment of investment capital on the basis of subsection 43 (1) of this Act shall be returned to the state for free from 15 July 2009 to 30 November 2009.

(2) The adoption of the shares specified in subsection (1) of this section shall be arranged by the Government of the Republic.  
[RT I 2009, 15, 93 - entry into force 01.03.2009]

### **§ 43<sup>2</sup>. Acquisition by state of shares or stock of venture capital fund established by management company**

(1) For the purposes of ensuring sustainable investment activities of the Development Fund the state may acquire the shares or stock of the venture capital fund managed by the management company subject to state financial supervision established by the Development Fund for the purposes of § 3 of the Investment Funds Act.  
[RT I, 31.12.2016, 3 - entry into force 10.01.2017]

(2) The Ministry of Economic Affairs and Communication acts as the management company of the shares or stocks specified in subsection (1) of this section as state assets for the purposes of the State Assets Act as a specification to subsection 5 (2) of the State Assets Act. The Ministry of Economic Affairs and Communication shall acquire and transfer the specified share or stocks only on the basis of the authorisation by the Government of the Republic.  
[RT I, 30.12.2011, 2 - entry into force 09.01.2012]

### **§ 44. Application of investment restrictions**

The investment restrictions provided for in subsection 37 (2) of this Act shall not be applied until 1 December 2011.  
[RT I 2009, 15, 93 - entry into force 01.03.2009]

#### **§ 44<sup>1</sup>. Restructuring of investment activities of Development Fund**

(1) With the consent of the supervisory board the Development Fund may transfer the shares and stocks of companies acquired within the framework of investment activities (hereinafter holdings) to the venture capital fund, acquiring shares, stocks or other equal rights of the respective fund to the extent corresponding to the value of the holdings. Upon the transfer of the holdings the pre-emption right, right to sell or other limits on the transfer of the holdings provided for by law, articles of association and the contracts of the partners or shareholders shall not be applied. After the transfer of the holdings the rights of the partners and shareholders arising from Estonian Development Fund Act, articles of association and the contracts of the partners or shareholders shall be exercised by the management company of the specified venture capital fund.  
[RT I, 31.12.2016, 3 - entry into force 10.01.2017]

(2) Upon the exercise of the rights of the shareholder of the venture capital fund provided for in subsection (1) of this section the Development Fund shall ensure that the terms and conditions or the articles of association of the specified fund shall comply with the provisions of § 37<sup>1</sup> of this Act in so far as it concerns the share of the specified fund corresponding to the holding of the Development Fund.

(3) The management company of the state assets specified in subsection in subsection 43<sup>2</sup>(2) of this Act shall ensure upon exercise of the rights of the shareholder of the venture capital fund specified in subsection (1) of the same section that the terms and conditions or the articles of association of the specified fund are in compliance with the provisions of § 37<sup>1</sup> of this Act in so far as it concerns the share corresponding to the state holding in the assets of the specified fund.  
[RT I, 04.03.2015, 2 - entry into force 14.03.2015]

#### **§ 45. Financing of operational expenditures**

An administrative contract shall be entered into between the Development Fund and the Ministry of Economic Affairs and Communication to cover the operational expenditures of the Development Fund related to the performance of functions arising from this Act, including expenditures of foresight activities.  
[RT I, 30.12.2011, 2 - entry into force 09.01.2012]

#### **§ 46. Establishment of Development Fund**

[Repealed -RT I, 28.06.2016, 4 - entry into force 29.06.2016]

#### **§ 47. Entry into force of Act**

This Act shall enter into force on 1 December 2006.