

**Articles of Association
Of
The National Development Fund of Iran**

Article 84 of the Fifth Development Plan

Article 84: The National Development Fund of Iran, hereby referred to as the “Fund”, is established to turn some of the country’s revenue earned by selling oil, gas, gas condensate and oil products to durable wealth, productivity, economic incentive and capital, and also to preserve the share of oil and gas resources and products for future generations.

The Fund is headquartered in Tehran and has no other branched in Tehran and other provinces. The assets and properties of the Fund is owned by the government of the Islamic Republic of Iran. This article is considered the Articles of Association of the Fund.

A- Pillars of the Fund include:

- a. Board of Trustees
- b. Managing Board
- c. Board of Supervisors

B- The Board of Trustees, as the highest ranking pillar of the Fund, assumes the following functions and responsibilities:

- a. Directing, determining policies and guidelines
- b. Approving terms and conditions of offering facilities to producers and investors in the private, cooperatives and non-governmental public sectors
- c. Approving guidelines, strategic plans, annual budget, financial and performance reports of the Fund
- d. Choosing the chairman and other members of the Managing Board according to Paragraphs D and E
- e. Dismissing the chairman and members of the Managing Board upon the proposal of any member of the Board of Trustees and the final approval of the Board of Trustees
- f. Making the final decision about referring disputes for judgment and settlement within the framework of Article 139 of the Constitution
- g. Determining the type of acceptable and eligible proposals/business plans to be given financial facilities in economically-generative and economically-viable production and services sectors and sub-sectors
- h. Determining the minimum expected return rate of the Fund’s resources and also acceptable return rate of production and investment proposals which have been allocated financial facilities, and determining the partnership share rate of investment plans provided that the average of these rates would not be less than the average return rate of the Central Bank of Iran’s deposits in foreign markets

C- Board of Trustees

The Board of Trustees is comprised of:

- a. The President (Chairman of the Board of Trustees)
- b. Vice President for Strategic Planning and Supervision (Secretary of the Board of Trustees)
- c. Minister of Finance and Economic Affairs
- d. Minister of Labor and Social Affairs
- e. Minister of Oil
- f. President of the Central Bank of Iran
- g. Head of Iran Chamber of Commerce, Mine and Industry, as observer without the right to vote
- h. Head of Iran Chamber of Cooperatives, as observer without the right to vote
- i. Two representatives from the Parliament's Economy Commission and Planning, Budget and Audit Commission chosen by the Parliament
- j. Prosecutor General

Note 1: Board of Trustees holds meeting at least twice a year.

Note 2: Board of Trustees' meetings shall be recognized as official meetings when at least two thirds of members (who have the right to vote) are present. The decisions of the Board of Trustees are taken by at least five votes.

Note 3: Chairman of the Managing Board and chairman of the Board of Supervisors can attend the Board of Trustees' meetings without the right to vote.

Note 4: Any decision taken by the Board of Trustees regarding the approval of balance sheet and financial statements of the Fund, and also regarding the appointment of the chairman and members of the Managing Board shall be published in the Gazette and one of the mainstream newspapers upon subject to the selection of the Board of Trustees.

Note 5: Minutes, date and venue of the meetings of the Board of Trustees are set by the Secretary and shall be circulated among the members at least 15 days before the holding of the meeting.

Note 6: The budget of the Fund headquarters shall be ratified by the Board of Trustees.

D- With the purpose of administering the affairs of the Fund within the framework of the provisions of the Articles of Association and ratifications of the Board of Trustees, a Managing Board shall be formed and is comprised of five members who are distinguished, experienced and well-known in terms of economy, law, finance, banking and planning with a minimum 10 years of related experience and postgraduate qualification. Members of the Managing Board shall be chosen by the Board of Trustees and appointed by the President. They shall take on the following functions and responsibilities:

- a. To propose to the Board of Trustees the type of acceptable and eligible proposals/business plans to be given financial facilities in economically-generative and economically-viable production and services sectors and sub-sectors
- b. To propose to the Board of Trustees investment plans in domestic and international monetary and financial markets
- c. To set the framework of Agency Agreements to be concluded with agent banks and to set functions and responsibilities of the agent banks within the framework of these agreements
- d. To establish an internal audit system and to establish a proper internal control system
- e. To confirm the rial and foreign currency financial reports and to present them to the Board of Trustees
- f. To propose to the Board of Trustees recommendations on related guidelines and terms and conditions of granting financial facilities to the applicants
- g. To make decisions regarding any measure which shall be taken under the name of the Fund within the functions and responsibilities described in the Articles of Association except for areas the decision making about which are within the jurisdiction of the Board of Trustees or the chairman of the Managing Board unless such decision-making power has been delegated to the Managing Board.
- h. To adopt decisions regarding all affairs which are put on the agenda of the Managing Board by the chairman of the Managing Board within his/her responsibilities.
- i. To implement approvals of the Board of Trustees
- j. To propose to refer disputes for settlement, to determine an arbitrator to the Board of Trustees
- k. To open or close foreign currency accounts with the Central Bank of Iran and to introduce people who have the right to sign from amongst the members of the Managing Board, chairman or other directors of the Fund
- l. To sign agreements with qualified international advisors in the filed of investment and finance in order to assess, improve and boost the performance of the Fund
- m. Other affairs referred to by the Board of Trustees

Note 1: Dismissal and acceptance of the resignation of the members of the Managing Board shall be conditioned on confirmation by two thirds of the members of the Board of Trustees who have the right to vote.

Note 2: Members of the Managing Board shall be employed full-time. They shall not be engaged in any other economic activity or occupation except for teaching. Members of the Managing Board are covered by the provision described in Article 142 of the Constitution.

Note 3: The Managing Board shall be chose for a five-year period. Re-appointment of members is allowed.

Note 4: All securities, cheques, promissory notes, drafts and other binding documents shall be considered valid when sealed and signed by two of the three members of the Managing Board who are assigned by the Managing Board.

Note 5: Decisions of the Managing Board shall be effective with at least three votes.

E- Chairman of the Managing Board, who is the highest ranking executive official of the Fund, shall be chose by the Board of Trustees from amongst the members of the Managing Board and with the verdict of the President. Chairman of the Managing Board assumes the following functions and responsibilities:

- a. To issue and circulate orders for the implementation of the decisions of the Managing Board and to supervise over the good implementation of them
- b. To set the minutes of and administer the meetings of the Managing Board
- c. To administer the Fund affairs within the framework of the approvals of the Managing Board and the Board of Trustees
- d. To prepare and devise executive plans subject to the functions of the Fund
- e. To prepare and devise the plan, budget, financial reports, and draft reports of the Fund to the Board of Trustees
- f. To administer the internal affairs of the Fund, to employ human workforce, and to pay the costs of the Fund
- g. To file a report every three months on the performance of the Fund for presentation to the Managing Board
- h. To represent the Fund against third parties, and all domestic and foreign bodies such as judicial, administrative and status registration organizations and the like, with the right to delegate this power to others even though continuously
- i. To file judicial or criminal complaints or to defend files against the Fund, with all authorities related to court proceedings, except for the right to reconcile and the right to refer the case for arbitration
- j. Other affairs referred to by the Managing Board

F- In order to make sure that the goals of the Fund are realized and its performance is under supervision, and in order to prevent any probable deviation from the provisions of the Articles of Association, policies and guidelines of the Fund, the Board of Supervisors shall be formed comprising of the heads of the State Audit Organization, State Financial Tribunal Organization, and the State Inspectorate Organization.

Note 1: The supervision by the Board of Supervisors shall not prevent other supervisory bodies such as the State Inspectorate Organization or the State Financial Tribunal Organization to fulfill their supervisory functions against the Fund.

Note 2: The Board of Supervisors is comprised of a chairman, deputy chairman, and secretary, who will be chosen in the first meeting of the Board of Supervisors.

G- Functions and Responsibilities of the Board of Supervisors:

- a. To supervise over financial reports of the Fund and to prepare occasional and periodical reports for the Board of Trustees and the Parliament.
- b. To supervise over asset inventories, dues, financial commitments and summary statement of the accounts of the Fund and to certify them for publication in the Gazette
- c. To supervise over the performance of the Fund in terms of compatibility with the law, Articles of Association and goals of the Fund. To fulfill its functions and without interfering in the current affairs of the Fund, the Board of Supervisors shall supervise over all documents, properties and accounts of the Fund. The Board of Supervisors shall have access to all the Fund's information and documents, where necessary. The Board of Supervisors is also duty bound to file its supervisory report every six months to the Board of Trustees and the Parliament.

Note: The Board of Supervisors shall employ qualified legal and personal entities to audit the performance of the Fund.

H- Resources of the Fund

- a. At least equivalent to 20 percent of the revenues from exporting oil (crude oil, gas liquids, gas and oil products) during the period of the Fifth Development Plan and the determination of its value in annual budgets
- b. At least 20 percent of the value of barter exports of the above-mentioned items
- c. Shares of the resources described in paragraphs A and B, shall increase on an annual basis by three unit percent
- d. Fifty percent of the cash remaining balance at the end of the 1389 Iranian calendar year (2011) and following years
- e. Resources exploitable from international monetary markets under the permission of the Board of Trustees in accordance with related rules
- f. Net profit of the Fund during the finance year
- g. Revenue generated from the interest of the Fund's account with the Central Bank of Iran, equivalent to the average interest rate of the Central Bank of Iran's deposits in foreign markets, with calculation and payment every three months
- h. Twenty percent of resources subject to Part D of Paragraph 4 of the 2011 Budget Law

Note 1: The repayment of the interest and main capital of financial facilities granted to applicants by the Fund shall be deposited to the Fund's account and be used again to materialize the goals of the Fund.

Note 2: The accounts of the Fund shall be only held with the Central Bank of Iran.

I- The Fund's Spending

- a. To offer financial facilities to the private sector and cooperatives and economic enterprises owned by public non-governmental institutes to be used for production and investments with economic, financial and technical justification
- b. To provide financial facilities for Iranian private companies and cooperatives which win international tenders to export technical and engineering services, through the Fund's resources or syndicated facilities
- c. To grant financial facilities to buyers of Iran-made goods and services in the country's export target markets
- d. To invest in foreign financial and monetary markets
- e. To offer financial facilities to foreign investors on competitive and economic viability grounds in order to attract and support investors in Iran in accordance with Article 80 of the Constitution
- f. To pay for costs of the Fund

Note 1: Resources of the Fund shall not be used for cost credits, owning capital assets and repaying government debts in any form.

Note 2: Financial facilities subject to the provisions of the article shall be paid only in foreign currencies. Investors shall not change foreign currencies subject to facilities described in the provisions of this article to rial in the domestic market.

Note 3: Financial facilities subject to the provisions of this article shall be paid only through governmental and non-governmental agent banks.

J- Other rules and regulations:

- a. The share of agent banks shall be set by the Board of Trustees under competitive conditions proportionate to the service charge and the specialized and expert capabilities of the agent banks.
- b. The share of the Fund from resources subject to Paragraphs A and B of Article H is deposited to the account of the Fund by the Central Bank of Iran on a monthly basis. At the end of the finance year, when resources are finalized, accounts shall be cleared.
- c. No financial facility should be paid by the agent bank to non-qualified applicants for proposals or business plans which lack technical, financial and economic justification. If paid, this offence shall be considered as the illegal occupation of public property. The agent bank is responsible to examine the viability and technical, financial and economic justifications of the proposals and business plans, taking into consideration the risk factor. This shall be regarded as a guarantee by the agent bank for the repayment of the interest and main capital of financial facilities offered to

the applicant. The financial return of proposals and business plans should not be less than expected interest rate announced by the Board of Trustees. The Fund will provide financial facilities to investors in the agriculture, water and natural resources sectors, through agent banks or the Fund for Supporting Investment in the Agriculture Sector, in foreign currency and with lesser expected interest.

- d. The total sum of financial facilities, allocated to non-governmental public institutes and organizations and their subsidiaries and related companies, from the resources of the Fund through agent banks should not exceed 20 percent of the resources of the Fund.

Note 1: Non-governmental institutes and organizations subject to this Article are considered public only if at least 80 percent of their shares or partnership stocks are owned directly or through legal entities by personal entities.

Companies and institutes whose majority of shares is owned by public or non-profit organizations such as endowments organizations, insurance and retirement funds, and charities are considered here as non-governmental public institutes and organizations.

Note 2: If 20 percent of the members of their Board of Directors of an economic enterprise, irrespective of its ownership, are appointed by government officials, financial facility shall be provided to it by the Fund.

Note 3: The Fund is obligated to take regional balance into consideration when distributing resources among economic sectors and provinces.

- e. The Fund's finance year begins at the start of the Iranian calendar year (late March) and finished at the end of the same Iranian calendar year (late March).
- f. The Fund shall be covered by the provisions described in this Articles of Association and the rules related to non-governmental public organizations as well as monetary and foreign currency policies in administrative, employment, financial and transactional affairs. Necessary guidelines shall be approved by the Cabinet upon the proposal of the Fund's Board of Trustees and shall be implemented in accordance with Article 138 of the Constitution.
- g. Chairman of the Fund's Managing Board is duty bound to report, every six months, the Fund's resources and spending to the Board of Trustees, Board of Supervisors and the Parliament.
- h. The Board of Supervisors shall report to qualified entities any offence or crime committed against the provisions of this Article.
- i. The balance sheet and reports of probable profit and loss of the Fund as well as the Board of Supervisor's report and comments shall be provided to the Board of Trustees at least 15 days before its meeting.

- j. Payment of financial facilities and issue of any securities from the resources of the Fund shall be done only through agent banks, governmental or non-governmental, as well as the Fund for Supporting Investment in the Agriculture Sector.
- k. Any amendment to the Articles of Association and the dissolution of the Fund shall be made only upon the ratification of the Parliament.