

STATEMENT OF INVESTMENT PRINCIPLES (SIP)

Δήλωση Αρχών Επενδυτικής Πολιτικής (ΔΑΕΠ)

Ταμείο:	ΤΑΜΕΙΟ ΣΥΝΤΑΞΕΩΝ & ΧΟΡΗΓΗΜΑΤΩΝ ΥΠΑΛΛΗΛΩΝ ΤΗΣ ΑΡΧΗΣ ΤΗΛΕΠΙΚΟΙΝΩΝΙΩΝ ΚΥΠΡΟΥ
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1. Introduction and Purpose

This document is the Statement of Investment Principles (the "SIP") for the CYTA Pension Fund (the "Fund"). The Statement was ratified by the Trustees of the Fund on **09/09/2020**.

The SIP sets down the principles which govern the decisions about investments that enable the Fund to meet the requirements of the Pensions Law 16(I), 2020 (the "Law"). The SIP documents the main guiding investment principles for the Fund and the Trustees commit to honoring these as a key part of its governance structure.

The SIP has been prepared in accordance with all relevant legislation. The Trustees will review this Statement no later than three years after the effective date and without delay after any significant change in investment policy.

2. Investment Objectives and Strategic Asset Allocation

The Trustees understand that the investment objective, targets and aims set out below are closely related and that they should be examined in conjunction with the Fund's funding objectives. These are listed in Annex III.

The primary investment objective of the Fund is:

Primary Fund investment objective
To invest prudently so that all benefit promises can be met at an acceptable level of risk.

To meet this objective, the Trustees established the following targets for the next 10 years:

Investment targets
A target Funding Level of at least 100% at the time horizon, based on the current Funding Level of 79,7% (as at 30/09/2019).
A target Funding Level which, when combined with the deficit contributions to be made by the sponsor (€19,6m per annum for a remaining period of 5,5 years – based on the Actuarial Funding Report as at 31/12/2018), the Fund will become fully funded, i.e. reach 100% Funding Level at the time horizon.
Excluding the deficit contributions to be made, a target Funding Level of 84,6% at the time horizon.
Subject to the above, a target investment return of 3,0% per annum.
A target risk that the possibility of the funding level falling below 52,5% is 1 in 20 (5%).

The Trustees underlying aims for setting the above objective and targets are:

- To choose and implement an investment strategy that satisfies the requirements of the Cyprus Pension Fund Law and complies with the Fund's Statement of Investment Principles.
- To maximise the Fund's investment return subject to an acceptable level of risk. The attempt to maximise return may involve departing from the benchmark position and hence conflict with the risk target. It is, therefore, essential that the level of risk involved is determined with reference to the value of the assets relative to the value of the liabilities ("Deficit or Relative Value at Risk").
- To take risk in accordance with the risk attitudes of the Sponsor and the Fund
- To implement an investment strategy that minimises actuarial risk, having regard to the Fund Liability features summarised below:
 - Nature: 100% real, linked to salary and price inflation
 - Term: Duration of 15 years
 - Currency: Euro
 - Cash flow uncertainty: Based on Fund design and Actuary's assumptions
 - Cash flow requirements: Low

Strategy

The Trustees established their investment strategy after taking expert advice. The latest formal presentation on strategic asset allocation is dated **11/02/2020**, was based on Aon's Capital Market Assumptions of **30/09/2019** and forms the basis of the current strategy. In deciding on the strategy, the Trustees considered and modelled risk, particularly actuarial risks such as duration mismatching risks and the risk of not meeting

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their objectives. These topics have been addressed in the Fund's most recent presentation on investment strategy.

The Trustees' long-term investment strategy is embodied within its adopted Strategic Asset Allocation (SAA). The Strategic Asset Allocation is summarized in the table below:

Asset Class	Target Allocation, %	Permitted Range, %
Global Equity	15%	7% - 23%
Infrastructure Equity	8%	0% - 16%
Global Property	7%	2% - 12%
Local Property	13%	8% - 18% ⁴
Hedge Funds	9%	4% - 14%
Global Bonds	33%	25% - 41%
Cash	15%	5% - 25%
Time Horizon:	10 Years	
Expected Funding Level in Time Horizon:	84,6% ¹	
Risk on Funding Level: Expected Funding Level at 5% Level in Time Horizon	52,5% ²	
Implied Median Return (over Time Horizon):	3,0% per annum ³	
Implied Risk on Return: Return at 5% Level (over Time Horizon):	-0,6% per annum	

¹ The definition of Expected Funding Level implies that there is 50% probability that the Funding Level of the Fund in 10 years will be higher than 84,6% and 50% probability that it will be lower.

² The definition of Funding Level Risk implies that there is 5% probability that the Funding Level of the Fund in 10 years is 52,5% or lower.

³ The definition of Return Risk implies that there is a 5% probability that the return over the 10 year period is -0,6% p.a. or lower

⁴ The Trustees would take all necessary steps not to reach the maximum level for this asset class although they recognise that an increase in value may result due to the particular circumstances of the Fund. It is the Trustees intention not to actively pursue any investment move or initiative that increases the Fund's position and exposure in this particular asset class.

3. Risks and how they are managed

The primary risk management process is the overall investment process utilized as outlined in the next section. The main areas of risk with this type of arrangement are as follows:

Investment Constraints

In order to control risk the Trustees undertake to respect the exposure limits set down in the Law. In addition to these, the Trustees have set a maximum limit of 10% allocation to Hedge Funds due to the complexity of this asset class. Also, in order to further limit the complexity of Hedge Funds' allocation, the Trustees decided to implement the Hedge Fund allocation using UCITS regulated managers only. They have also established permitted exposure limits about the strategic allocations to broad asset classes.

Investment manager risk

Poor decisions by an investment manager can adversely impact the Fund. This risk is mitigated by the fact that all global underlying managers are chosen by the Trustees after a detailed due diligence and research process developed by the Consultant for general investment matters. The approach aims to identify excellent fund managers by focusing on in-depth quality research. The Trustees receives reports on performance from all fund managers and reviews the performance of the assets on a regular basis. In the event that the Trustees are unhappy with the performance of the asset managers they may choose to replace them.

The Trustees use a range of fund managers to diversify manager risk. Unless passive management is implemented, the Trustees undertake not to invest more than 7,5% of the Fund's assets to any manager, and each asset class has to be implemented with a minimum of 3 managers, unless the asset class represents less than 10% of Fund's assets in which scenario a minimum of 2 managers is required. If passive management is implemented, the asset class has to be implemented with a minimum of 2 managers and no maximum allocation of Fund's assets to any manager is set.

Concentration risk

The Trustees acknowledge that, in principle, prudential asset management requires an adequate level of diversification both across and within asset classes. The Trustees undertake to ensure that a very broad range of asset classes is considered for investment. Moreover, it undertakes to ensure that each asset class is appropriately diversified by geographical region, industrial sector, security type, issuer and other investment criteria, where possible. Furthermore, each manager is expected to manage properly diversified portfolios and to spread assets across a number of individual shares and securities. The Trustees monitor this regularly.

Currency risk

The Fund's investments may have overseas exposure and are therefore subject to the impact of the change in price of the Euro currency against other currencies.

The currency exposure is hedged to eliminate this risk within Global Bonds where the currency fluctuations may change the volatility nature of this investment significantly. Currency hedging will also be used for hedge funds.

Use of derivatives

According to the Law, the use of derivative securities is permitted only to reduce or control risk. Investments in hedge funds made with the aim of improving overall portfolio efficiency may be exempted from this condition. The Fund may allow the selected fund managers to use derivatives to the extent that this use will aim to reduce the portfolio risk.

Credit risk

One party to a financial instrument may cause a financial loss to another party by failing to meet their contractual obligation. The credit risk that the Fund is exposed to arises from holdings in the underlying

investment funds. Credit risk has been managed through use of diversification and the assets are in pooled vehicles which are ring-fenced should any problems befall the underlying managers.

Liquidity risk

Assets may not be readily realizable - some investments are not easy to sell, meaning it can take some time to get money returned or transferred to another fund. The majority of the asset classes exhibit high liquidity. The Trustees have set a minimum allocation to cash of 3%.

Operational risk

The risk of fraud, poor advice or acts of negligence committed by the underlying managers or other stakeholders. This risk is mitigated by internal controls, audit and reporting of underlying managers and the Consultant.

4. Investment Process

The Fund follows a robust investment process which is summarized below:

- **Frequency of Review of the Strategic Asset Allocation (SAA) and the SIP**
According to the Directive, the Trustees undertake to review this SIP at least once every three years and earlier if deemed necessary. It is to be reviewed without delay after any significant change in the Fund's investment policy or any other event that the Trustees consider as significant.
- **Professional advice and Responsibility**
The Trustees have ultimate responsibility for all investment decisions made. However, where the Trustees do not have the expertise or the resources to perform certain tasks, they may take advice from external parties.
The Trustees meet frequently in order to review issues related to the assets of the Fund. In particular they:
 - receive and review reports on investment performance
 - receive incidental advice on the implementation of the investment programme
 - liaise with third party investment services providers
 - monitor the performance of the Fund

The investment objectives are defined in section (2) of this document. The constraints set are shown below:

Constraints
The following table gives the target exposures to each asset class for the purposes of demonstrating compliance with Directive 2/2010 and the Law.

Asset class	Max permitted by Law, %
Assets denominated in any one foreign currency	10
Total assets denominated in foreign currency	30
Total investment in shares and non-government bonds	70
Assets denominated in total issuance of each bond issuer	10
Assets denominated in issued share capital of each listed company	5

Exposure to each property	10
Assets in non-regulated markets	40
Exposure to alternative investments (excluding property)	15

Tactical Asset Allocation / Rebalancing

The appointed asset manager is allowed to invest within the ranges described above. If there is a need for rebalancing due to market valuations or due to tactical views the Trustees will need to approve this.

In cases where the Fund's asset allocation deviates from the permissible ranges of the strategic asset allocation, the Trustees commit to rebalancing this within the stated ranges. This rebalancing should be performed in a way that protects the Fund from adverse price movements resulting from dramatic asset moves.

The Trustees commit to rebalancing the Fund's asset allocation within its strategic permissible ranges within a reasonable time period while also considering:

- (a) the specific characteristics of each asset class category,
- (b) the prevailing market conditions,
- (c) the extent to which the Fund's stated investment profile/risk budget has been affected/altered
- (d) the future cashflows in and out of the Fund.

Furthermore, where the Fund's asset allocation is close to the upper or lower limits of the permissible ranges for each asset class, the Trustees will take prompt corrective action where necessary in order to avoid a breach of these limits.

Medium Term Asset Allocation

The Trustees aim to benefit from dislocations in the market by taking advantage of excessive under or over valuation. They also considerable fundamental and quantitative analysis, including views on the major investment themes, to make such decisions

On a quarterly basis they receive a report from their Consultant, summarizing their medium term views which are under continual review based on global economic and market developments, together with changes in market levels. The Consultant suggests changes to the strategic mid points of each investment option to capitalize on medium-term opportunities. The suggested changes remain within the permissible ranges of the SAA.

Performance analysis and monitoring

The Trustees have established a formal cycle of investment performance review as a further risk control. Consolidated investment performance reports will be submitted to the Trustees and will include, at a minimum:

- net returns in each asset class over the past quarter, year and longer terms as applicable for each investment mandate
- a report of whether each mandate objective, and as a whole, have been met or not
- a report on the reasons for noteworthy performance outcomes
- a confirmation that the conditions of the mandate as set in its established Investment Guidelines have been respected. Where breaches occur, reasons for every breach should be given and the planned corrective action documented.
- a number of risk measurement quantities, including risk-adjusted return ratios, volatility measures and downside risk measures, both retrospective and prospective.

Environmental, Social & Governance (ESG)

In setting the Strategic Asset Allocations, the Trustees' primary concern is to act in the best financial interests of the Fund and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustees believe that ESG factors can have an impact on the performance of its investments, and that the management of ESG risks and exploitation of ESG opportunities can add value to its portfolio.

As part of their delegated responsibilities, the Trustees expect the Fund's investment managers, where appropriate, to have integrated ESG factors as part of their investment analysis and decision making process. The Trustees regularly reviews the continuing suitability of the appointed investment managers and takes advice from the Consultant with regard to any changes.

5. Roles and responsibilities

The Trustees of the Fund have the ultimate responsibility for all investment decisions. However, where it does not have the expertise or the resources to perform certain tasks it may take advice from external parties.

The table below lists the third parties appointed by the Trustees of the Fund:

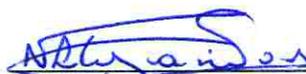
Appointed party	Remuneration
<p>Consultant for general investment matters: Aon Solutions (Cyprus) Ltd</p> <p>Role: To assist the Trustees in formulating a long-term asset strategy. This includes:</p> <ul style="list-style-type: none"> - Providing education and support on investment matters - Assistance in formulating their investment objectives - Assistance in determining a Strategic Asset Allocation - Drafting Statements of Investment Principles - Support in Manager Due Diligence and Research 	<p>Fixed pre-agreed</p>

<p>Fund Managers (as at 31/12/2019):</p> <ol style="list-style-type: none"> 1. Global Equity: <ol style="list-style-type: none"> a. Veritas Asset Manager b. Unigestion Asset Manager c. Wells Fargo Asset Manager d. T-Rowe Price Asset Manager e. Argus Stockbrokers Ltd f. BOCAM g. Eurobank Asset Management 2. Infrastructure Equity: <ol style="list-style-type: none"> a. Rare Infrastructure Ltd b. Brookfield Asset Management 3. Global Property: <ol style="list-style-type: none"> a. Encore+ b. CBRE 4. Hedge Funds: <ol style="list-style-type: none"> a. GSAM b. Lighthouse c. PIMCO d. Winton 5. Global Bonds: <ol style="list-style-type: none"> a. Blackrock 6. Cash: <ol style="list-style-type: none"> a. Insight Investment b. Blackrock <p>The above will be reviewed and amended from time to time as required.</p>	<p>% of total assets under management</p>
<p>Custodian:</p> <ol style="list-style-type: none"> 1. Eurobank Cyprus 	<p>Fixed % of the total assets under custodianship</p>



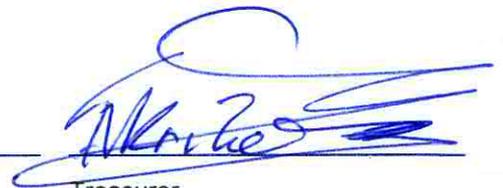
Chairman

Name: Rena Rouvitha Panou



Secretary

Name: Nayia Stylianidou



Treasurer

Name: Georgios Kantounas

Date:

17/9/2020

Annex I – Contact details

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CYTA Employees Pension Fund
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Annex II – Summary of defined terms

Term	Definition
Funding level	Asset Value / Liability Value
Sponsor	CYTA
Strategic Asset Allocation	The percentage allocation of the Fund to each of the main asset classes (equities, bonds, property, cash etc) which is the result of a modeling exercise. This allocation is closely related to the characteristics of the Fund's liabilities and is altered only if there is a significant change in the Fund's liability profile and/or the Trustees' investment objectives
Tactical Asset Allocation	The tactical moves around the strategic asset allocation and within the ranges permitted in order to reflect short-term market expectations
Low-Risk Portfolio	A portfolio of bonds with characteristics similar to the liabilities. It is used as a benchmark for appraising risk-return characteristics of asset portfolios relative to the liabilities. It represents a low-risk way to invest relative to the liabilities, but does not eliminate risk entirely as the following risks remain: <ul style="list-style-type: none"> ■ Re-investment risk for the very long-dated liabilities ■ Real salary increases for the active members (liabilities) ■ Demographic related risks (mainly longevity risk)

Annex III – Funding Objectives

The funding objectives of the Trustees of the Fund are:

- Primary objective is to meet benefit payments (liabilities) as they fall due
- Subject to meeting the above, the desire is to control the level and variability of the Sponsor's contributions to the Fund
- Further to the above it is important to have an understanding of the ability of the Sponsor to absorb an increase in cost
- The Trustees aim to maintain a funding level of over 100% over 10 years