



STATEMENT OF INVESTMENT PRINCIPLES (“SIP”)

Fund Name: CYTA PENSION FUND

Date of Study: 17 June 2025
Valuation Date: 31 December 2024
Date of Submission: July 2025
Reason for the Revision: Investment Strategy Review

Investment Consultant for general matters: Cronje & Yiannas Actuaries and Consultants Ltd

<p>Background information</p>	<p>In accordance with Law 10 (I), 2020, the Management Committee (generally referred to as “Trustees”) of the CYTA Pension Fund (the “Fund”) is required to maintain a Statement of Investment Principles (the “SIP”) setting out the principles governing the investment decisions. The Fund must review its investment policy and the Statement of Investment Principles (the “SIP”) at least every three years.</p> <p>In addition, the SIP must be revised without delay after any significant events that could change or impact the investment policy or the liabilities of the Fund.</p> <p>The operations of the CYTA Pension Fund are currently regulated by the relevant Directive issued by the Parliament (ΚΔΠ 188/97). This document has been prepared in accordance with the provisions of the Law 10 (I) of 2020.</p> <p>This revised submission (dated July 2025) of the Fund's SIP refers to the Pension Fund's investment policy adopted effective 17 June 2025 following an investment strategy review carried out by the Fund's Consultant for General Investment Matters.</p> <p>Since the previous review of the investment strategy, a number of events impacted the investments and liabilities of the Fund.</p> <p>A funding valuation was conducted by the Fund’s actuary as at 31 December 2024 and showed a funding level of 82% (with a deficit of €139m) based on a discount rate of 3.65% p.a. This result can be compared to the funding valuation as at 31 December 2023 with a funding level of 88% and a deficit of €86m based on a discount rate of 3.85% p.a.</p> <p>Following the results of the funding valuation, the recovery plan was revised with effect from 10 July 2025. The revised recovery plan aims to restore the funding level to 100% over the next 6.5 years through deficit recovery contributions from the Sponsoring Employer as follows: an immediate lump-sum payment of €23m is to be made within 2025. For the year 2025, a payment of €35m, which is estimated to be made within the first two months of 2026. For the years 2026 and onwards, annual payments of €23m, to be made at the end of each year starting from 2027.</p>
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<p>Purpose of this document</p>	<p>The Trustees are responsible for the governance of the Fund for the benefit of its members and for determining an appropriate investment policy based on clearly defined and measurable retirement and investment objectives, and within the level of risk deemed acceptable by the Trustees.</p> <p>The Trustees are also responsible for appointing qualified, professional advisors and asset managers to implement the investment policy and monitor its implementation and performance.</p> <p>The SIP of the Fund determines the investment policy of the Fund and must comply with Law 10 (I), 2020 and the supplementary orders from the Superintendent of Occupational Pension Funds.</p> <p>The Trustees, in accordance with prudent management principles, should gradually implement changes to the investment policy of the Fund to achieve diversification in the timing of changes and avoid abrupt shifts in the assets of the Fund. The transition plan and the implementation period should be determined in consultation with the Fund’s “Consultant for specific investment matters and regulated investment advice”.</p> <p>The Trustees must meet regularly to consider issues relating to the investments of the Fund.</p> <p>Specifically, the Trustees should:</p> <ul style="list-style-type: none"> • Review reports on the investment performance of the Fund, • Review and take advice on the implementation of the investment program, • Communicate with the appointed investment consultant and asset managers, and • Monitor and evaluate the performance of the Fund relative to the predetermined objectives.
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1. Fund Governance and Management Committee

<p>Governance of the Fund</p>	<p>The Fund is governed by a Management Committee consisting of 10 members (the “Trustees”). Seven members are nominated by the Board of Directors of the Sponsoring Employer and three members are member nominated.</p> <p>The responsibilities and duties of the Trustees are defined by the Rules of the Fund and the relevant legislation governing the operation of Occupational Pension Funds in Cyprus and the EU.</p>
<p>Functions and powers of the Trustees</p>	<p>The Trustees have the ultimate responsibility for the governance of the Fund. Specifically, the Trustees are responsible for, inter alia, the following matters:</p> <ol style="list-style-type: none"> 1. Ensuring compliance of the Fund with all relevant legislation and guidelines, 2. Appointing professional advisers (consultants, actuaries etc.) 3. Determining the investment policy of the Fund based on a strategic asset allocation study and advice from expert consultants, 4. Preparing the Statement of Investment Principles - based on the investment strategy chosen by the Trustees, 5. Appointing investment consultant(s) for specific investment matters to manage the Fund's portfolio in accordance with the parameters of the SIP, to provide regulated investment advice regarding transactions in financial instruments and to select investment funds / securities, 6. Monitoring the performance of the investments of the Fund, 7. Managing risks arising from the investment strategy of the Fund, 8. Maintaining a risk management function to monitor and manage the risks associated with the operation of the Fund, 9. Preparation of annual audited accounts and report within seven months from the end of each financial year, 10. Communications with members of the Fund and preparation of the member benefit statements as required by the relevant legislation, and 11. Preparation of all required reports to the Superintendent of Occupational Pension Funds.

2. Key Objectives and Parameters

<p>Funding & Investment Objectives</p>	<p>The Trustees will manage the Fund and determine the investment strategy in accordance with the main Fund objective set out below.</p> <p>Funding Objective</p> <ul style="list-style-type: none"> To ensure that the assets of the Fund are sufficient, together with any future contributions from the Sponsoring Employer, to fully cover benefit payments in respect of member benefits for service up to and including the valuation date. <p>Investment Objective:</p> <p>Considering the current profile of the Pension Fund as determined by the latest funding valuation and agreed recovery plan with the Sponsoring Employer, the key investment targets for the Fund are:</p> <ul style="list-style-type: none"> To invest prudently with due consideration to the ability and willingness of the Sponsoring Employer to cover any deficits and in-line with the Pension Fund’s liability profile. To achieve a return on Fund assets which is sufficient, over the long-term, together with future contributions from the Sponsoring Employer, to meet the funding objective as stated above. To target an investment strategy with a level of risk resulting in a probability of 1 in 20 (very poor scenario) of the funding level falling below 70% at the end of the 7-year period.
<p>Investment Parameters</p>	<p>The above target is measured quantitatively by establishing a target investment return on the Fund assets consistent with delivering on the main funding objective (all other things, like contributions into the Fund, being constant). The target investment return can also be expressed in terms of the associated level of investment risk assumed by the Committee.</p> <ul style="list-style-type: none"> Target Asset Performance: The Trustees, based on the study presented by the Fund’s appointed consultant for general investment matters, have set a target long-term average best estimate annual return of 4.8% (gross of administration fees). Expected Funding Level Given the investment return target, the Trustees accept that, based on a best estimate scenario, the Pension Fund’s expected funding level in 7 years would be around 104%.

3. Main Characteristics of the Fund

Introduction	<p>The CYTA Pension Fund is a Defined Benefit Plan in which member benefits are determined based on a pre-determined formula that considers a member’s salary and years of service and expected benefits from Social Security.</p> <p>The liabilities of the Pension Fund are assessed by the Fund’s actuary every year , with annual funding updates.</p> <p>The last actuarial study for the CYTA Pension Fund was carried out on 31 December 2024. Based on this study, the Pension Fund’s funding level as at that date was 82%, with an associated deficit of €139 million.</p>	
Funding Valuation	Currency	Euro
	Assumed discount rate	3.65% per year
	Assumed inflation rate	2.5% per year
	Standard contributions	3.9% of pensionable salaries (inclusive of 2% of member contributions)
	Deficit contributions	€23m within 2025. For the year 2025, €35m, to be made in 2026. For the years 2026 and onwards, €23m, to be made at the end of each year starting from 2027.
Funding Level Risk	<p>It is accepted by the Trustees that there is no investment portfolio that exactly matches the liability profile of the Pension Fund. Therefore, the Funding level is expected to fluctuate based on the assumptions used for the actuarial valuation, actual experience (e.g. longevity risk, actual inflation) and investment returns different from the discount rate assumed.</p> <p>It is noted that income-type investments such as bonds generally provide a better match to the Pension Fund’s liabilities. However, an investment strategy solely in income assets is not optimal given the approximate nature of the matching of the liabilities, the need for diversification and the level of returns required to meet the funding objective. As such, an allocation to growth assets is included in the investment strategy.</p> <p>The funding assessment and the current discount rate of 3.65% imply that the Trustees accept that the Pension Fund should target a return on assets which is equal or greater than that on a prudent basis. The best estimate return should be in excess of the prudent return assumption.</p>	

4. Investment Strategy

Strategic Asset Allocation of the Fund	The main investment goal of the Trustees is to achieve the Fund's investment objective within the chosen risk parameters. To this end, the Trustees have sought advice from expert Consultants.		
	Given the investment objective, the characteristics of the Fund and the investment parameters chosen by the Trustees, the strategic asset allocation of the Fund is as follows:		
	Asset Class	Allocation Range (%)	Central Allocation (%)
	Global Equity	20 – 40	30
	European Government Bonds	15 – 35	25
	Global Corporate Investment Grade Bonds	5 – 25	15
	Property	0 – 20	10
	Infrastructure	0 – 10	5
	Alternative Investments (e.g. Hedge Funds, Private Equity)	0 – 5	-
	Cash and Cash Equivalent	5 – 45	15
	Total		100
	Expected Return on Assets	4.8% per annum over the investment horizon	
Expected Funding Level after 7 years	104%		
Investment Restrictions	The Trustees will abide by the investment restrictions set by the Superintendent of Occupational Pension Funds, as described in Law 10 (I) 2020 and the supplementary Orders.		

5. Portfolio Management

Introduction	The Trustees are responsible for appointing Investment Consultant(s) for Specific Matters (the “Manager(s)”) and to assess performance relative to pre-defined benchmarks and guidelines.
Investment Benchmark	<p>A Composite Benchmark will be used to evaluate the performance of the Pension Fund's portfolio which will consist of appropriate benchmarks for each asset class category.</p> <p>In addition, subject to the mandate provided to each manager, the performance and investment risk taken will be assessed against the relevant investment benchmark as described in the agreement with each appointed fund manager.</p>
Monitoring the Portfolio Under Management	<p>The Investment Consultant for General Matters provides detailed quarterly reports to the Committee, which include, among others:</p> <ul style="list-style-type: none"> • Analysis of the allocation of the portfolio per asset class and comparison relative to the permissible ranges, • The performance of the portfolio, • Analysis of performance per asset class / sub-portfolio, • The performance of all underlying pooled investments, • Evaluation of the total portfolio under-management for each asset class, • Investment analysis by geographical region and industry sector, and • Analysis of key transactions during the reporting period.
Duties of the Investment Consultant for Specific Matters	<p>The Pension Fund has appointed an investment-licensed firm to implement the Fund's investment strategy.</p> <p>The appointed Investment Consultant for Specific Matters is responsible for the selection of pooled investments under an advisory agreement. The portfolio is not managed on a discretionary arrangement and as such, all investment decisions/recommendations must be ratified by the Trustees.</p> <p>The Investment Consultant for Specific Matters also provides regular recommendations to the Trustees regarding local banking institutions and as to the allocation of the Fund's cash deposits.</p>

6. Risk Management

<p>The Trustees acknowledge that the key risk to the Pension Fund is that it will have insufficient assets to cover all its liabilities. The Trustees have identified a number of risks that may lead to the deterioration of its capacity to cover liabilities and these are mentioned below.</p>	
Matching	<p>The relationship between the Pension Fund's assets and liabilities and the sensitivities of these to changes in financial and demographic factors represent a significant risk to the Fund. The Trustees and their consultants have reviewed the Fund's investment strategy with the aim of reducing the risk arising from the mismatch of the assets and the liabilities in relation to interest rate and inflation.</p>
Diversification	<p>The Trustees recognize the basic principle that the prudent management of the Fund's assets requires adequate diversification of the Fund's assets across the various asset classes and within each of these asset classes. The Trustees and their consultants have taken concentration risk into account when setting the investment strategy and the asset class strategies.</p>
Liquidity	<p>The Trustees will manage the Fund's allocation to cash taking into account the timing of future payments in order to minimize the liquidity risk.</p>
Strategic Asset Allocation Ranges	<p>The Trustees may, for risk management purposes, and / or whenever there is a clear investment risk (for example high volatility in specific markets) or other risks (for example liquidity), adjust the strategic asset allocation ranges for each asset class.</p>
Tactical Asset Allocation	<p>The Consultant for Specific Investment Matters is required to invest the Fund's assets within the above strategic asset allocation ranges. If the Consultant for Specific Investment Matters wishes to implement tactical decisions outside those ranges, the prior approval of the Trustees is required.</p>
Currency Risk	<p>Where needed, measures may be implemented to mitigate currency risk. The Trustees recognise that this practice is most relevant to the management of the Fund's global bond portfolio.</p>
Use of Derivative Instruments	<p>In accordance with the Law, the use of derivative instruments is permitted only for reducing investment risk or for efficient portfolio management. The Fund may invest in derivative instruments if this is based on the above principle and after seeking professional advice.</p>

<p>Investment Performance Evaluation Cycle</p>	<p>The Trustees have set a formal evaluation cycle for the investment performance of the assets as an additional measure to control and monitor the investment risk.</p> <p>Investment performance reports will be prepared and include:</p> <ul style="list-style-type: none"> • Investment returns quarterly, annually and for longer durations for each fund manager and asset class, • Adherence to guidelines for achieving the investment objectives which have been provided to the Consultant for Specific Investment Matters, and • Quantitative methods implemented to measure the risk, such as performance indicators in relation to the risk, measurement of changes in performance and the assessed risk of potential returns.
<p>ESG Considerations</p>	<p>The Committee acknowledges that Environmental, Social and Governance (ESG) factors are becoming a significant consideration for investors worldwide and has considered the integration of ESG factors into the investment decision making process.</p> <p>The Fund monitors the ESG scores that are available from independent providers for the underlying funds included in each investment option. Specifically, the Fund regularly monitors the Morningstar Sustainability Score for each underlying fund.</p>

7. Related Parties and their Roles

<p>Consultant for General Investment Matters</p>	<p>Cronje & Yiannas Actuaries & Consultants Ltd</p> <p>Role: To assist the Trustees in implementing and monitoring the investment policy of the Fund. This includes:</p> <ul style="list-style-type: none"> • Asset-Liability Study to set the Investment Policy, • Preparation of Statement of Investment Principles, • Training and support on investment issues, • Formulation of asset class strategies, • Monitoring the investment portfolio of the Fund, and • Assessing the performance of the selected fund manager(s) and the Consultant for Specific Investment Matters. <p>Fee: Pre-agreed fixed fee.</p>
<p>Consultant for Specific Investment Matters and Regulated Investment Advice</p>	<p>Argus Stockbrokers Ltd</p> <p>Role:</p> <ul style="list-style-type: none"> • Investment of the allocated portfolio in the global markets, • Tactical asset allocation decisions, • Provision of regulated investment advice for transactions in financial instruments and specific investment matters related to the investment management of the overall portfolio of the Fund. <p>Fee: Pre-agreed fixed fee with respect to the provision of investment advisory services.</p>
<p>Custodian</p>	<p>Eurobank (Cyprus) Ltd</p> <p>Role:</p> <ul style="list-style-type: none"> • Safekeeping of Fund assets • Collection of income from investments (dividends, coupon payments etc) • Corporate Actions <p>Fee: Pre-agreed percentage (%) safekeeping fee on the total assets under custody, and settlement charges on transactions.</p>

8. Fund Contact Details

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