

INTERNAL AUDIT POLICY

CYTA Pension Fund

Version 1.0

Effective from 23 November 2021

Internal Audit Policy

1. Introduction

The Cyprus Law regarding the supervision of the Institutions for Occupational Retirement Provision (IORP), as modified by the Law 10 (I) 2020, hereafter referred to as “the Law”, requires all IORPs to develop and implement an Internal Audit function that is appropriate to the activities it carries out.

The risk management system of the CYTA Pension Fund (hereafter referred to as the "Fund") consists of three lines of defence:

- I. The internal controls applied for the execution of the operational tasks of the Fund;
- II. The support and supervision by the key functions (risk manager) of the execution of the internal control measures;
- III. The coordination and supervision by the Internal Auditor of the procedures applied by the first and second line of defence.

2. Objective

The aim of this policy is to define the Internal Audit function and to clearly describe the mission of the Internal Auditor, tasks, competencies and responsibilities and the terms and conditions for the execution of his mandate in supporting the internal control system in place within the Fund.

3. Mission and Tasks of the Internal Audit function

The Internal Audit is an independent function within the Fund with a mission to investigate, analyse and assess the appropriateness, effectiveness and efficiency of the internal control system as well as of the thoroughness with which the assigned responsibilities are executed, in particular in case of outsourced activities. The Internal Audit function is performed by the Internal Auditor. The Internal Auditor also looks into the interactions between the different key positions in order to ensure the Fund's risks are covered.

The Internal Audit supports the Management Committee of the Fund in the exercise of its responsibilities. In this respect, the Internal Audit provides analyses, assessments, recommendations, advice and information concerning the activities controlled with a view toward improving the system of governance, operation and internal controls.

4. Appointment and Dismissal

The Internal Auditor is appointed and discharged by the Management Committee of the Fund. The appointment of the Internal Auditor is notified to the supervisory authority. The term and remuneration is agreed upon his assignment by the Management Committee in an outsourcing agreement. In the case of dismissal of the Internal Auditor, the supervisory authority is immediately informed of this fact, as well as of the reasons for the dismissal.

5. Scope of the Internal Audit

All activities of the Fund belong to the scope of the Internal Audit. Within the framework of the evaluation of the system of internal controls, the Internal Auditor will especially investigate the following:

- compliance with the internal policies for the different domains of activity as well as compliance with the expectations of the supervisory authority regarding the system of governance and activities of the Fund;
- the reliability of the technical and financial information;
- the reliability of the information concerning the daily management;
- the reliability of the reporting procedures;
- the continuity and reliability of the electronic information systems;
- the activities and the decision-making processes of the Management Committee and if applicable, other operational bodies;
- the activities of the administrative services of the Fund; and
- the activities and effectiveness of the other key functions.

The Internal Auditor provides recommendations based on his findings. He also follows up on the actions taken based on his recommendations.

6. Execution of Assignment

Independence

The Internal Auditor is independent of the activities audited. The independence of the Internal Auditor should allow for the exercise of his mandate in all impartiality and objectivity.

In the execution of his mandate, the Internal Auditor acts objectively and with integrity and forms his professional opinion without any influence. He has a right of initiative with respect to all positions in the Fund. He makes analyses and assessments in full freedom and independence.

The position of Internal Auditor may be assigned to:

- an employee of a sponsoring company; or
- an external expert.

The position of Internal Auditor may not be performed by someone in charge of another Key Function with the Fund nor by the certified statutory external auditor of the Fund.

External advice - Outsourcing specific audits

The Internal Auditor may fully or partially outsource specific audits for which he has insufficient or no competence. If in the exercise of his audit tasks, the Internal Auditor is assisted by external specialists, the Internal Auditor of the Fund retains final responsibility for the quality and quantity of the audits performed, and he will ensure that during the audits the standards and criteria applied meet the quantitative and qualitative audit requirements of the Fund. The outsourcing must first be approved by the Management Committee of the Fund.

Place within the organisation

The Internal Auditor is authorised to talk with all employees of the Fund, if any, and with all external service providers, and to take cognisance of all Fund documents (reports, internal regulations, memos from external advisors, information on subcontracted activities, etc.), files and data of the Fund, insofar as needed for the exercise of his mandate.

The Internal Auditor may directly and at his own initiative inform the Chairman of the Management Committee, the certified statutory external auditor, the key function holders and the supervisory Authority concerning the results of his investigation. He will do this as he sees fit, taking into account the general supervisory task of the Management Committee and the information needs within the Fund.

The Internal Auditor is obliged to respect the principle of prudence and the obligations of discretion and confidentiality concerning the facts, information and data he receives in the exercise of his mandate. He is also obliged not to use this information in a way that conflicts with the legal and regulatory stipulations in force or in order to obtain personal benefit. The principle of confidentiality, however, does not apply in the cases where a legal or regulatory stipulation requires the Internal Auditor to disclose certain facts or information obtained during the execution of his mandate.

7. Position Requirements

The Internal Auditor must have the professional reliability, knowledge, competence and experience required for the exercise of his position (fit & proper). The required professional competence must be assessed in respect of the nature of the activities controlled and taking into account the information, investigatory, assessment and communication duties of the Internal Auditor. The Internal Auditor must be competent to investigate all domains in which the Fund is active. A fit & proper assessment is made by the Management Committee, prior to notifying the appointment to the supervisory Authority.

The integrity and discretion of the Internal Auditor are essential requirements for ensuring the proper execution of his or her position.

8. Reporting by the Internal Auditor

Audit plan

The Internal Auditor documents the intended manner of conducted the internal audit in an audit plan, which sets out the objectives and scope of the mandate as well as the required resources. The audit plan is established by the Internal Auditor in consultation with the Management Committee.

The audit plan ensures that all domains of activity of the Fund are examined and assessed over a period of 3 fiscal years. To this end, the Internal Auditor will use the most appropriate audit type, determined in function of objectives to be attained.

The different audit types are:

- the financial audit, which seeks to assess the reliability of the bookkeeping and the resulting annual accounts and also the prudent character and the reliability of the management, the investment and the custody of the assets; in this, the Internal Auditor works together with the certified statutory external auditor;
- the compliance audit, which focuses on auditing the procedures and the processes implemented to ensure compliance with laws, regulations, policies and procedures;
- the operational audit, which focuses on the review of the quality and the appropriateness of the systems and procedures, the critical analysis of organisational structures, and the assessment of the adequacy of the methods and resources used in view of the objectives to be attained;
- the management audit, which goal is to assess the quality of the management function with respect to the objectives of the Fund.

Quarterly report

The Internal Auditor reports quarterly to the Management Committee of the Fund on the conclusions of his audit work and justifies the way in which he executed the Internal Audit function.

This report contains the findings and assessment of the Internal Auditor, including recommendations and comments, as well as the reactions of the audited parties. It indicates the items over which agreement exists at the moment the audit assignment was completed. The report also indicates the relative importance of the shortcomings and recommendations.

The Management Committee takes into consideration the recommendations of the Internal Auditor and documents a written justification when such a recommendation is not accepted.

Reporting to the Supervisory Authority

The Internal Auditor does not directly report to the Supervisory Authority. However,

- When a substantial risk that the Fund will not meet a legal requirement of material significance has been discovered and has been reported to the Management Committee of the Fund, and where this risk could have serious consequences for the interests of members and beneficiaries or when a

material and significant breach of the laws, regulations or administrative provisions applicable to the Fund and its activities has been identified and has been reported to the Management Committee of the Fund; and

- The Management Committee has not taken appropriate remediating measures in a timely manner,

The Internal Auditor has the legal duty to report this to the Supervisory Authority.

9. Outsourcing the Internal Audit Function

The Management Committee may outsource the Internal Audit function to an external expert. In this case, all the provisions of the present policy are fully applicable including the specific provisions in this section.

The outsourcing is established in a written agreement between the Fund and the external expert. This agreement establishes the tasks and the responsibilities of the expert as well as their permanent character, in application of the requirements of the Law and the expectations of the Supervisory Authority.

The Management Committee must approve upfront the audit plan drawn up by the external expert before the external expert may start execution of the audit plan.

The Management Committee continuously monitors the audit activity of the external expert and is responsible for following up on recommendations.

10. Remuneration

The remuneration for the mandate of Internal Auditor is determined in the agreement between the Internal Auditor or the entity employing the Internal Auditor, and the Fund.

In any case and at all times this agreement needs to be in accordance with the stipulations of the Remuneration Policy approved within the Fund.

11. Notification to Supervisory Authority

The name of the Internal Auditor is submitted to the Supervisory Authority as per the requirements of article 45 of the Law.

12. Drafting the Policy and Modifications

The Internal Audit policy is drafted by the Management Committee, in agreement with the Internal Auditor. The policy is approved by the Management Committee.

The Management Committee is also responsible for updating the policy in relation to the development of the activities of the Fund and any changes in the legal and regulatory requirements. The Management Committee acts in agreement with the Internal Auditor for any update related to the Internal Audit function. To this purpose, the Management Committee reviews the policy at least every three years. Modifications to the policy are approved using the same procedure as the initial approval.

The current Internal Audit Policy is approved by the Management Committee of the CYTA Pension Fund on 23 November 2021.



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Chairman of the Management Committee



Nayia Stylianidou

Member of the Management Committee