

REMUNERATION and OUTSOURCING POLICY

CYTA Pension Fund

Version 1.0

Effective from 23 November 2021

Remuneration and Outsourcing 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 a sound, prudent and effective remuneration policy for the members of its operational bodies, the persons who perform its key functions and all staff members whose professional activities have a material impact on the risk profile of the IORP.

This appropriate remuneration policy is proportional to the size and internal organization of the IORP, as well as to the size, nature, scale and complexity of its activities.

The present charter describes the purpose and principals of the remuneration policy put in place by the IORP as well as the categories of the persons involved.

The Law reflects the requirements of the European Directive 2016/2341 on the activities of and the supervision on IORPs. CYTA Pension Fund (hereafter referred to as “the Fund”) has put in place the necessary structure and policy to ensure an appropriate remuneration.

2. Purpose of the policy

The goal of this memorandum is to describe the remuneration and outsourcing policy of the Fund, taking into account the risks to which it is exposed in this domain.

3. Principles of the policy

The policy is established, implemented and maintained in line with the activities, risk profile, objectives, and the long-term interest, financial stability and performance of the Fund as a whole, and shall support the sound, prudent and effective management of the Fund.

The policy must align the personal objectives of all persons involved as described below with the long-term interests of the Fund, as well as with the long-term interests of members and beneficiaries of the Fund and ensure that they comply with remuneration practices that contribute to effective risk management.

The principles and disclosure requirements for remuneration policies applicable to financial institutions in the European Union are applicable to the Fund, bearing in mind however, the fact that the Fund is not a financial institution, the particular governance structure of the Fund in comparison to financial institutions and the need to take account of the size, nature, scale and complexity of the activity of the Fund.

The remuneration policy is proportionate to the size and the internal organization, as well as the size, nature, scale and complexity of the activities of the Fund.

The remuneration policy is based on remuneration practices that contribute to sound and effective risk management and shall not encourage risk-taking which is inconsistent with the risk profiles and rules of the Fund.

4. Categories of persons involved

Every IORP shall establish and apply a sound remuneration policy for all the persons who effectively run the IORP, carry out key functions and other categories of persons whose activities for the IORP have a material impact on the risk profile of the IORP.

In particular the remuneration policy applies to three categories of persons involved in the activities of the Fund:

- the persons effectively running the IORP, being the members of the Management Committee ("AC");
- the key functions and persons working closely together with them; and
- the third-parties providing services to the Fund and whose activities have relevant impact on the risk profile of the IORP, such as persons investing the assets. Third party providers are excluded from the application of this policy if they themselves are subject to specific rules on remuneration policy based on European regulations.

5. Remuneration policy for members of Management Committee

Any remuneration of the members of the Management Committee is agreed upon their appointment. Currently, there is no remuneration for the members of the Management Committee.

The expenses of the members of the Management Committee will not be reimbursed by the Fund.

6. Outsourcing to third-parties

The Management Committee may outsource the management of the Fund's operations or functions, in whole or in part, to other legal or natural persons acting on its behalf and in accordance with the relevant legislation.

The AC and the Fund remain responsible for compliance with its obligations under current European and national legislation when outsourcing key functions or any other activities.

Outsourcing of key functions or other activities is sought in cases that lead to:

- a) Increasing the quality of the Fund's management system on the basis of justified financial burden, and / or
- b) Improves the ability of the competent authorities to monitor the Fund 's compliance with its obligations; and / or
- c) Improving the provision of services to members and their beneficiaries; and / or
- d) Improving the effectiveness of the risk management system.

In case of outsourcing of key functions, the Fund's record records which functions are outsourced and to which natural or legal persons as well as that the outsourcing does not harm the execution of the basic functions of the Fund. In case of outsourcing of all or part of the Fund's functions or operations to a third-party the structure of services, responsibilities and duties of each job must be described in detail in the relevant services agreement.

7. Remuneration policy for key functions and third-party providers

The remuneration of the persons responsible for the key functions is agreed upon their appointment by the Management Committee and consists of the payment of a fixed annual remuneration for the duration of the mandate.

The persons responsible for the key functions do not receive refunds for expenses incurred for the activities.

In case the execution of the key functions is subject to an outsourcing agreement, the remuneration and the reimbursement of expenses is defined in the outsourcing agreement.

The remuneration policy applies to the service providers of the Fund regarding tasks and activities that can have substantial consequences for the risk profile of the Fund (such as investment consultant for general matters, investment managers, administrative management, risk management, accounting, audit, legal), unless those service providers are covered by the Directives referred to in Article 3(b) of Law 10(I) 2020.

The fees of the service providers are defined in the outsourcing agreement and is directly supervised and verified by the Management Committee. To this purpose, the Fund makes clear contractual arrangements with the third-party providers regarding:

- The supervision on the compliance with the policies of the Fund by the third-party provider;
- The supervision on the alignment of the fees of the third-party providers with the remuneration and risk management policies of the Fund; and
- The periodical reporting by the third-party provider on the aforementioned items.

8. Conflicts of interest

Before a member of the Management Committee, a key function or a third-party provider is officially nominated, the fit and proper screening will be executed. This will also include a verification of any conflicts of interest.

During the execution of their tasks the Fund will examine whether there are any new conflicts of interest.

Conflicts of interest will be handled in accordance with the requirements of the Code of Conduct of the Fund.

9. Disclosure requirements

The Management Committee prepares clear and complete disclosure to all stakeholders on the adopted remuneration policy and the fees of all service providers to the Fund.

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



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