

Bank of Cyprus UK Pension and Life Assurance Scheme – 02 December 2024

Statement of Investment Principles

Introduction

The Pensions Act 1995 (the “Act”) (as amended) requires that the trustees of a pension scheme must ensure that a written statement of principles covering investment decisions about the Scheme’s assets is prepared and maintained.

The Trustee of the Bank of Cyprus UK Pension and Life Assurance Scheme (the “Scheme”) has drawn up this Statement of Investment Principles (the “Statement”). As required under the Act, the Trustee has consulted a suitably qualified person (Mercer Ltd.) and has obtained written advice. The Trustee, in preparing this Statement, have also consulted Bank of Cyprus Public Company Limited (the “Sponsoring Company”), and will discuss any proposed changes to the Statement with them.

The Trustee will review this Statement regularly and without delay after any significant change in policy. The Statement will be amended should any changes be made to the Scheme’s investment arrangements. The Trustee is committed to maintaining the accuracy of this Statement on an ongoing basis.

The investment responsibilities of the Trustee are governed by the Scheme’s Trust Deed, a copy of which is available for inspection on request.

The strategic management of the assets (as set out in Sections 1.1 to 1.4 inclusive) is fundamentally the responsibility of the Trustee acting on expert advice. It is driven by the investment objectives as set out in Section 1.1.

Investment Arrangements

1.1 Investment Objectives

The Trustee's primary objective is to meet its obligations to the beneficiaries both in the short and long-term, by maximising the probability of the Scheme paying accrued benefits as they become due using the funding assumptions under the ongoing funding basis applying to the Scheme.

The Trustee has the following specific objective for how this primary objective is to be met.

- the acquisition of a bulk annuity contract which is expected to generate sufficient income to meet, together with contributions from the Sponsoring Company (the "Bank"), all accrued benefits which the Scheme provides as set out in the Trust Deed and Rules, as well as meeting any expenses associated with running the Scheme

The Trustee purchased a bulk annuity policy with Just Retirement ("Just") in December 2024 which cover all defined benefit ("DB") member benefits. The policy was purchased to meet the Trustee's primary objective as set out above.

The bulk annuity is expected to secure all the remaining outstanding DB benefit obligations of the Scheme. Additional payments or expenses will be met from the cash balance within the Trustee Bank Account and payments from the Bank until the Scheme is wound up (if agreed in the future).

1.2 Risk

The primary investment risk upon which the Trustee has focused is a deterioration in the value of assets relative to the value of the liabilities, as assessed on the Trustee's funding basis, beyond the level that the Sponsor is willing or able to rectify through additional payments. This is minimised by seeking to match 100% of the liabilities with the purchase of a bulk annuity policy held with a regulated insurance company.

Although the expected return on the bulk annuity has not been determined, the change in the value of the contract is expected to follow the change in value of the Scheme's liabilities. Changes in long term interest rates and inflation expectations have a significant impact on the value placed on the liabilities. The investment strategy has largely mitigated this mismatching risk by purchasing a bulk annuity contract which has the same interest rate and inflation characteristics as the liabilities.

The annuity represents a concentration of risk that the provider does not make the required payments. As the policy is governed by insurance market solvency regulations, the Trustee believe this risk is low and have mitigated it by careful due diligence of the provider, taking professional regulated advice on insurer selection, and through contract terms.

Although the bulk annuity is an illiquid investment and cannot be traded on regulated markets, the Trustee is satisfied this is appropriate given the security it provides in ensuring that the Scheme is able to pay members' benefits as they fall due.

Environmental, social and governance ("ESG") risk, including climate change, may significantly affect the investment returns and risk of certain asset classes. The Trustee's policy on ESG risks is set out in Section 1.7.

1.3 Investment Strategy and Day to Day Management of the Assets

After a review of suitability, the Trustee has used all Scheme assets to purchase a bulk annuity policy with Just. Just is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. The Trustee has taken steps to satisfy themselves that Just has the appropriate knowledge and experience.

The Trustee has a signed and dated bulk annuity contract with Just which sets out the terms and conditions by and under which the buy-in policy will be managed and reported.

1.4 Investment Restrictions

The Trustee understand that they have no ability to determine or influence the assets in which Just invests. The Trustee recognise that the annuity investment is illiquid and cannot be traded.

1.5 Additional Assets

Any additional cash flow requirements, such as expenses, are expected to be met from residual cash or, if there is a shortfall, additional payments from the Bank.

1.6 Bulk Annuity Provider Arrangements

Just was appointed in December 2024 (via the purchase of a bulk annuity contract) with the aim of paying member benefits as they fall due. The Trustee sought expert advice in relation to this appointment. This included an

assessment of Just's capabilities, knowledge and experience, and receiving appropriate suitability advice. The bulk annuity policy is managed in line with the Scheme's specific liabilities and investment objectives. Therefore, the policy is aligned with the Trustee's objectives and the terms of the policy incentivise Just to meet the Trustee's objectives.

The insurer does not receive ongoing remuneration from the Scheme. The premium paid for the annuity policy covers the insurer's implicit fees with the Trustee's choice of insurer taking the size of the premium into account. The Trustee is satisfied that this is the most appropriate basis for remunerating the insurer.

Regular investment monitoring reports are no longer relevant, given all Scheme assets have been used to purchase the bulk annuity policy.

1.7 Socially Responsible Investment and Corporate Governance

The Trustee acknowledges that Environmental, Social and Governance ("ESG") factors may have a material impact on investment risk and return outcomes. It also recognises that long-term sustainability issues, particularly climate change, presents risks and opportunities that increasingly may require explicit consideration.

The Trustee has implicitly delegated consideration of ESG issues, engagement and stewardship obligations to Just in relation to all of the Scheme assets via the bulk annuity contract. The annuity contract makes contractual payments to the Scheme only as per the benefits payable under the contract. They are however satisfied that Just apply due consideration to ESG issues in the investment of assets underlying the contract.

1.8 Non-financial matters

Members' views on "non-financial matters" (where non-financial matters" includes members' ethical views separate from financial considerations such as financially material ESG issues) are not explicitly taken into account in the selection, retention and realisation of investments.

1.9 Compliance with this Statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be suitably qualified.