Astellas Ireland Dublin Plant Pension Plan

Statement of Investment Policy Principles

March 2023

Prepared for:	The Trustees
Prepared by:	Aon
Effective Date:	28 March 2023

Contents

Background

The purpose of this document is to comply with the EU directive on the Activities and Supervision of Institutions for Occupational Retirement and satisfy the subsequent changes in the Pensions Act.

This statement has been agreed by the Trustees of the Astellas Ireland Dublin Plant Pension Plan (the Plan).

General Principles and Objectives

The Astellas Ireland Dublin Plant Pension Plan (the Plan) is a Defined Benefit (DB) Plan.

Astellas Ireland Company Limited is the Sponsor and the Trustees are charged with primary responsibility for the management and oversight of the pension plan. The Trustees have taken expert advice from their consultants, Aon, in setting out their Principles and Objectives

The Trustees aim to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided. The asset allocation strategy they have selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Plan's liabilities.

The Trustees undertook a comprehensive investment strategy review in 2021. As part of the investment strategy review it was agreed to implement a Liability Driven Investment (LDI) strategy for the Plan as a more efficient method of managing the interest rate and inflation risks to which the Plan is exposed. Arising from the review, a revised scheme-specific benchmark was agreed and implemented as follows;

Asset Category	Allocation
Global Equities	40.0%
Multi Asset (Growth)	30.0%
Total Growth Assets	**70.0%**
LDI Portfolio	20.0%
Absolute Return Bonds	10.0%
Total Defensive Assets	**30.0%**
Total Fund	**100%**

Actual allocations vary from the above from time to time, reflecting market movements and related factors. The Trustees monitor the asset allocation and make appropriate adjustments taking account of the target long-term allocations.

The overall strategy was determined with regard to the actuarial characteristics of the Plan, in particular the strength of the funding position and the liability profile. In setting the planned asset allocation strategy, the Trustees assumed that Growth assets would outperform Defensive assets over the long term. However, the Trustees recognised the potential volatility in Growth asset returns, particularly relative to the Plan's liabilities.

The Trustees considered written advice from their investment advisers when choosing the Plan's planned asset allocation strategy and intend to review this on a regular basis in the future. It is the Trustees policy to consider:

- A full range of asset classes
- The risks and rewards of a range of alternative asset allocation strategies
- The suitability of each asset class
- The need for appropriate diversification

Risk Measurement & Management

The Trustees' investment objective has been developed with regard to the risks inherent in the Plan. Specifically, the Trustees have had regard for:

- The Sponsor's covenant, and
- whether the core focus should be an ongoing or discontinuance funding level.

The Trustees considered the following risks when setting the investment strategy:

1. **Market Risk**: The risk that the return from the assets held is not in-line with the changes in liabilities. *The Trustees recognise the potential volatility in the current asset allocation strategy, particularly relative to the Plan's liabilities. The Trustees have undertaken an investment strategy review and have addressed market risk as part of this review. In addition the Trustees address this risk by ongoing monitoring of investment performance and by holding a diversified portfolio of assets.*

2. **Longevity Risk**: The risk that trends of improvement in mortality lead to higher than expected pension costs. *This risk is addressed as part of the regular actuarial valuation, where improvements in mortality are considered in determining the liabilities of the Plan and the required contribution rate.*

3. **Manager Risk**: The risk that the chosen investment manager does not meet its Investment objectives, or deviates from its intended risk profile. An associated risk is Active risk, where the Plan is exposed to the actions or decisions of one manager. *This risk has been addressed by investing the assets of the Plan with more than one manager, thus diversifying the exposure of the Plan assets to a single manager. This risk has also been addressed by regular monitoring of the investment managers on an ongoing basis, relative to their investment objectives and risk profile, and by adopting a passive approach to investment with the equity and bond mandates.*

4. **Interest Rate Risk***:* The risk that changes in interest rates results in a change in the liabilities that is not reflected in the change in assets. *This risk has been addressed by investing in an LDI portfolio of assets to partially match the liabilities of the Plan.*

5. **Cashflow Risk**: The risk that the cashflow needs of the Plan requires a disinvestment of assets at an inopportune time. *This risk is currently not of significant concern as pensioner liabilities represent a very small proportion of the total liabilities. The Trustees, however, are aware that this risk will become of increasing importance as and when the average age of the Plan increases and pensioners represent an increasing proportion of Plan liabilities.*

6. **Inflation Risk**: The risk that the inflation linked liabilities of salary growth (a*nd pension increases*) increase at a faster rate than the assets held. *This risk is addressed by investing predominantly in assets with returns that are expected to exceed inflation. This risk has also been addressed by investing in an LDI portfolio of assets to partially match the inflation linked liabilities of the Plan.*

7. **Operational Risk**: The risk of fraud or poor advice. *This is addressed by regular monitoring and review of investment managers and advisers.*

8. **Covenant Risk**: The risk that the sponsor is unable to provide sufficient funding when required. *This risk is addressed as part of the investment objectives, where due regard is paid to the interests of Astellas Ireland Company Limited in relation to the ability to continue paying employer contributions*.

Due to the complex and interrelated nature of the above risks, the Trustees consider these risks in a qualitative, rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some aspects of these risks may be modelled explicitly. In addition, investment risk is considered as part of the actuarial valuation.

Implementation

The Trustees have employed multiple investment managers to implement the agreed investment strategy set out on page 3. The managers, their investment objectives and the target benchmark of the total fund that each will manage are set out in Appendix A.

Governance

The Trustees of the Plan are responsible for the investment of the Plan assets. The Trustees take professional advice and on the basis of this advice, make decisions on the asset allocation to be adopted and investment managers to be appointed.

The Trustees have established the following decision-making structure:

Trustees

- Set structures and processes for carrying out their role
- Select and monitor planned asset allocation strategy
- Select investment advisers and fund managers
- Decide on the structure for implementing investment strategy
- Monitor investment advisers and fund managers
- Make ongoing decisions relevant to the operational principles of the Plan’s investment strategy

- Continue to ensure that the Trustees have sufficient training to enable them to make appropriate decisions with the help of the investment consultant.

Investment Consultant

- Advises on all aspects of the investment of the Plan assets, including implementation
- Advises on this statement
- Monitors Investment Managers and Investment Risk
- Provide required training

Fund Managers

- Operate within the terms of this statement and their written contracts
- Select individual investments with regards to their suitability and diversification

Environmental, Social & Governance (ESG) Risks

The European Union (Occupational Pension Schemes) Regulations 2021 transposed the IORP II directive into Irish law, and the regulations state that the system of governance shall include consideration of environmental, social and governance ("ESG") factors related to investment assets in investment decisions. The regulations further states that the risk management system shall cover ESG risks relating to the investment portfolio and the management thereof. In addition, the Sustainable Financial Disclosures Regulations ("SFDR") requires pension plans to publish information about their policies on the integration of sustainability risks in their investment decision-making process.

In order to develop the Responsible Investment beliefs of the Trustees, the Trustees have undertaken extensive training and undertook a Responsible Investment beliefs questionnaire. The Trustees endeavour to keep up to date in this ever-evolving area.

The Trustees recognise their primary fiduciary duty is to provide the benefits promised under the Plan to the members and integration of ESG risks should supplement but not override this duty.
The Trustees recognise that their appointed investment managers are best suited to incorporate ESG risks within their specified mandates. Accordingly, the Trustees have not placed any direct constraints, ESG or otherwise, on their managers but monitor their asset managers over time and review ratings of their managers ESG credentials from their Investment Consultants.

The Trustees approach ESG through their arrangements and engagement with their asset managers through the policies set out below. The Trustees will continually review and re-evaluate their approach to managing ESG risks over time as the issues and industry best practice evolves.

Arrangements with asset managers

The European Union (Shareholders' Rights) Regulations 2020 transposed the Second EU Shareholders' Rights Directive ("SRD II") into Irish law in 2020, and the regulations require Trustees to disclose their arrangements with their asset managers.

The Trustees regularly monitor the Plan's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustees' policies, including those on ESG matters. This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustees are supported in this monitoring activity by their appointed Investment Consultants, Aon.

The Trustees receive regular reports and verbal updates from their Investment Consultants on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan's objectives, and assess the asset managers over 3-year periods.

Before appointment of a new asset manager, the Trustees will consider the extent to which the new investment aligns with the Trustee's policies. The Trustee will seek to express their expectations to the asset managers to try to achieve greater alignment and consider ESG as an important part of their evaluation of an asset manager. The Trustees believe that this together with regular monitoring of asset managers' performance and investment strategy, is in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustee's policies and are based on assessments of medium and long-term financial and non-financial performance.

Where asset managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the manager but could ultimately replace the asset manager where this is deemed necessary.

There is typically no set duration for arrangements with asset managers, although the continued appointment of all asset managers will be reviewed periodically, and at least every three years in conjunction with the triennial investment strategy review. The Trustees will review portfolio turnover costs on a periodic basis.

Engagement Policy

SRD II also requires Trustees to develop an engagement policy.

The purpose of the Engagement Policy ("Policy") is to set out the Trustees approach to engaging with companies they invest in in terms of sustainability and ESG factors.
The Trustees recognise the importance of their role as stewards of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the scheme invests, as this ultimately creates long-term financial value for the scheme and its beneficiaries.

As the Trustees largely invest in pooled funds, the Trustees will appoint Investment Managers who engage with companies where ESG issues are a concern and provide proxy voting on ESG issues. The Trustees will require their Investment Managers to regularly report on their engagement activities.

Where the Investment Manager invests, on behalf of the Trustees, in a company that does not appear to be pursuing sound ethical business practices and/or displaying appropriate environmental responsibility, the Investment Managers would be expected to persuade that company to operate in a more socially and environmentally responsible manner by, among other possible forms of engagement:

- Raising issues relating to ethical business practices and environmental responsibility at Annual General Meetings
- Exercising its shareholder's right to vote on such issues

The Trustees will periodically review the suitability of the scheme's appointed asset managers and take advice from their investment consultants with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustees have set out in their policy, the Trustees undertake to engage with the manager and seek a more sustainable position but may look to replace the manager.

The Trustees will engage with their investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

Sustainability Risks

Under Article 5(1) of the Sustainable Financial Disclosures Regulations ("SFDR"), the Plan is required to include in its remuneration policy information on how the policy is consistent with the integration of sustainability risks. A 'sustainability risk' is an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of Plan investments.

This Policy applies to the Trustees, persons who carry out key functions in respect of the Plan, and Service providers to whom the Trustees have outsourced activities within the scope of Section 64AM(1) of the Pensions Act, other than those service providers that fall outside the scope of Section 64AG(4)(e) of the Pensions Act.

In some cases, those persons or others who provide services to the Plan may be required under legislation to include in their own remuneration policy information on how their policy is consistent with the integration of sustainability risks. The Trustees rely on the statements made by such persons in their own remuneration policies in considering whether this Policy is consistent with remuneration provided to those persons. For other persons that this Policy applies to, remuneration is not dependent upon the performance of Plan investments and this Policy does not encourage excessive risk-taking, including in respect of sustainability risks.

The Trustees consider that, given the nature, scale, size and complexity of the Plan, as well as the Plan's system of governance and Conflicts of Interest Policy, the Policy is consistent with the integration of sustainability risks.

Principal Adverse Impact Statement

The Trustees do not consider the adverse impacts of investment decisions on sustainability factors, as per Article 4 of the Sustainable Financial Disclosures Regulations ("SFDR"), due to the size, nature and scale of activities undertaken by the Plan. The Trustees will keep this under review, and may consider adverse impacts in the future.

Notwithstanding the above, the Trustees expect the asset manager(s) they employ to consider such impacts and will assess their policies in this area periodically.

Review of Investment Managers

The Trustees will regularly review each investment manager as part of the ongoing monitoring, and will formally review the managers every three years with advice from the Plan's Investment Consultant.

The current investment managers, mandates and benchmarks for each manager are listed in the Appendix A.

Review of This Statement

This Statement of Investment Policy Principles may be revised by the Trustees at any time. Trustees will formally review this Statement at least every three years. Any necessary changes will be made in consultation with the Sponsor.

Signed on behalf of the Trustees

DocuSigned by:
Elma Foy
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Trustee	Date: 03-May-2023

DocuSigned by:
John LeHane
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Trustee	Date: 03-May-2023

This Statement of Investment Policy Principles is produced to meet the requirements of the Occupational Pension Schemes (Investment) Regulations, 2006.

Appendix A - Investment Manager Details

Fund Type	Manager	Fund Name	Objective	Target Benchmark
Global Equity Fund	Irish Life Investment Managers	Indexed World Equity Fund	To perform in line with the MSCI World Index	20.0%
Global Equity Fund	Irish Life Investment Managers	Indexed World Equity Hedged Fund	To perform in line with the MSCI World Index (Hedged EUR)	20.0%
Multi Asset Fund	Zurich Life	BlackRock Dynamic Diversified Growth Fund	To outperform a target of cash (EONIA) + 4.0% p.a. gross of fees over rolling 3 year periods	10.0%
Multi Asset Fund	BlackRock	Market Advantage Strategy Fund	To outperform the benchmark of cash (3m EURIBOR) +5% p.a. over rolling 3 year periods gross of fees	10.0%
Multi Asset Fund	Man	Alternative Style Risk Premia Fund	To outperform the benchmark of cash (3m EURIBOR) +4.9% p.a. over rolling 3 year periods	10.0%
Absolute Return Bond Fund	Zurich Life	BlackRock Fixed Income Global Opportunities Fund	To outperform a target of 3 month Euribor plus 3% to 5% p.a. gross of fees	10.0%
LDI	BMO	Bespoke LDI Portfolio	To perform in line with benchmark. The benchmark has been chosen to match liabilities based on a chosen duration.	20.0%

Manager Contracts

The Trustees expect the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practical.

Appendix B - Investment Guidelines

Due to the size and nature of the Plan's investments, investments are currently on a unitised basis. While the Trustees recognise that they cannot restrict investments in unitised vehicles, they may request all investment managers to furnish a statement confirming that the unitised vehicle complies with the following list of principles. In the event that the fund is not compliant with any particular principle, the investment manager will report on and explain the rationale on an annual basis

1. Investment portfolios will be well diversified;
2. The assets shall be invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio as a whole so far as is appropriate having regard to the nature and duration of the expected liabilities of the scheme;
3. There will be no further investment in a security where the value of the security as a proportion of the total value of a fund exceeds 5%*. Furthermore, the investment manager will report quarterly on any securities that, by virtue of market movements, become more than 5%* of the total value of a fund; (*excluding government bonds)
4. There will be no investment which accounts for more than 5% of the issued capital of any one company;
5. Subject to point (3) above, investing in un-listed securities (with the exception of other unitised vehicles which is not restricted) is permitted up to a limit of 7.5% of a fund;
6. Investment in derivative instruments may be made only in so far as they (a) contribute to a reduction of risks; or (b) facilitate efficient portfolio management, including the reduction of cost or the generation of additional capital or income with an acceptable level of risk. Any such investment must be made and managed so as to avoid excessive risk exposure to a single counterparty and to other derivative operations;
7. Investments should be predominantly on regulated markets;
8. The Trustees will delegate day-to-day investment decisions to each investment manager, including the realisation of investments, accounting for socially responsible factors and voting and corporate governance matters.

The Trustees may, from time to time, ask the manager to report on their approach to any of the above issues.

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