Astellas Ireland Kerry Plant Pension Plan

Statement of Investment Policy Principles

Introduction

The purpose of this Statement of Investment Policy Principles (the "Statement") is to document the policies and guidelines that govern the management of the Plan's assets. It has been reviewed and adopted by the Trustees; it outlines the responsibilities, objectives, policies and risk management processes in place for the Plan.

The intention is not to outline detailed guidelines for the Plan's investment manager(s) - this should be done within the specific legal agreements with those parties – but rather to state the general philosophy, risk appetite and policies of the Trustees that will shape the governance of the Plan as a whole.

This Statement will be reviewed at least every three years, and also following any change in investment policy which impacts on the content of the Statement.

Identification of Investment Responsibilities

Because of the number of parties involved in the management of the Plan, it is appropriate to clearly identify each entity's role with regard to investment in order to ensure operational efficiency, accountability and clear lines of communication.

- **Company:**
  The Company is the Plan sponsor and contributes to the Plan, but is generally not responsible for Plan investments. However, the Trustees recognise that the Company's continued financial support for the Plan is of utmost importance in serving the best interests of members, therefore the principles outlined in this Statement are not shaped by the objectives of the Trustees in isolation, but also by an understanding of the objectives of the Company.

- **Trustees:**
  The Trustees have fiduciary responsibility for selecting and monitoring Plan investments. Their specific responsibilities include:
  (a) Identifying the Plan's risk tolerance level and formulating an appropriate and efficient investment policy which best serves the interests of the members;
  (b) Delegating the management of Plan investments to investment managers. The Trustees recognize that their role is supervisory – not investment advisory;
  (c) Monitoring and evaluating performance results to ensure that all guidelines are being adhered to and objectives are being met;
  (d) Making any necessary changes in the investments and the investment managers, consultants and others that provide services to the Plan relating to the investment of assets; and
  (e) Regularly reviewing this Statement, which they may amend or restate at any time at their sole discretion.

- **Investment Manager:**
  One or more investment managers will be appointed to act on behalf of the Trustees. The investment manager(s) shall observe the specific guidelines, restrictions and philosophies within this Statement and as expressed in any written agreement with the Trustees. Subject to such guidelines and restrictions, the investment manager(s) will be responsible for making all investment decisions on a discretionary basis and will be evaluated on their ability to achieve the performance objectives set for them by the Trustees.

Other parties with specific duties with regard to investment include the Plan's consultants, custodian and Plan administrator.

Risk Management Processes

The Trustees will ensure, either through direct guidance or through ascertaining the suitability of any commingled (unitised) vehicles that are used, that policies and guidelines are in place for the appointed investment manager(s) and other providers such that:

- investments are, for the most part, limited to marketable securities traded on recognised/regulated markets;
- investment in derivative instruments may be made only in so far as they either contribute to a reduction of investment risks or facilitate efficient portfolio management. Any such derivative investment must avoid excessive risk exposure to a single counterparty and to other derivative operations;
- the portfolio is properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings and so as to avoid accumulations of risk in the portfolio as a whole. Investments in assets issued by the same issuer or by issuers belonging to the same group must not expose the Plan to excessive risk concentration.

All investment managers are employed by the Trustees and are subject to termination at any time.

There are two distinct elements of the Plan, namely the main "Defined Benefit" section together with the "Defined Contribution" (DC) section. In order to address the very distinct features of these different sections, we divide the rest of this Statement into separate Sections:

A – The Defined Benefit section

B – The Defined Contribution section

The Trustees are aware of ESG issues and Responsible Investment Policies are contained in **Section C**.

Section A: Defined Benefit

Investment Objectives

The overall investment objective of the Trustees is to maximise the level of investment return at an acceptable level of risk, through adopting a prudent, carefully planned and well-executed investment policy. This will in turn assist in the Trustees' ultimate objective of maximising the security and level of benefits provided to members.

Risk Measurement Methods

In determining the level of risk appropriate to the Plan at any point in time, the Trustees recognise the importance of the nature and duration of the liabilities and measure the risk of the chosen investment policy by reference to these liabilities.

In particular, the Trustees consider the following risks:

- The risk of achieving an insufficient level of investment return relative to the rate required to match the growth in liabilities over time.
  - The required rate will depend on the funding policy adopted for the Plan. Therefore, the Trustees acknowledge the critical need for interaction and co-operation between the Trustees and the Company when formulating investment policy.
- The risk of excessive volatility in the investment returns of the Plan relative to the movement in liabilities over shorter-term periods (e.g. one year).
  - The Trustees will consider this volatility in relation to the liabilities measured under the Minimum Funding Standard basis, the Plan Actuary's ongoing basis and any other relevant measures. The Trustees recognise that the pattern and volatility of the Plan's investment returns can impact directly on the pattern and volatility of the Company's contribution rates and various accounting items. Therefore, risk will also be considered in these terms where appropriate.

Managing the two risks above *in isolation* may lead to conflicting investment policies. Therefore, in formulating an appropriate investment policy, the Trustees seek to arrive at an acceptable *balance* between these risks in order to best meet their investment objectives. Furthermore, the Trustees will manage a range of other investment risks using the risk management processes outlined in the Risk Management Processes section in order to create a prudent, diversified and efficient portfolio.

Current Investment Policy

The current investment strategy of the Trustees is set out below along with a description of the investment manager arrangements adopted.

Strategic Asset Allocation

Having had regard to the nature and duration of the expected future retirement benefits, the Trustees have established their strategic asset allocation mix as set out in the table on the following page and believe it prudently positions the portfolio so as to achieve the Trustees' objectives at the current time.

Sector	Benchmark Weighting	Benchmark Index
Global Equities	30.0%	FTSE World Index
Multi-Asset	30.0%	3-Month Euribor
Total Growth Assets	60.0%	-
LDI	30.0%	To match liabilities based on a chosen duration
Absolute Return Bonds	10.0%	3-month Libor (EUR)
Total Defensive Assets	40.0%	-
Total	**100%**	**Composite**

The above benchmark, reflecting a 60% growth asset / 40% defensive asset allocation, was implemented in March 2022 following a review of the investment strategy of the Plan 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.

The currency of the Plan, and thus of the benchmark, is the Euro. The composite performance benchmark above is to be calculated on a quarterly basis (i.e. to assume quarterly rebalancing).

The Trustees recognize that even though the Plan’s investments are subject to short-term volatility, it is critical that a long-term investment focus be maintained. The Trustees intend to avoid ad-hoc revisions to their philosophy and policies in reaction to either speculation or short-term market fluctuations.

Manager Structure

The Trustees have appointed a passive manager, Irish Life Investment Managers (ILIM), to manage the equity portfolio. The Trustees have appointed Man Group and BlackRock to manage the multi-asset allocation and Zurich Life / BlackRock to manage the multi-asset allocation and Absolute Return Bond allocation. The Trustees have appointed Bank of Montreal (BMO) to manage the LDI allocation.

Rebalancing

Market movements will result in a portfolio that differs from the strategic mix outlined in the table above. The desire to maintain this constant strategic mix must be balanced with the cost of portfolio rebalancing. The Trustees shall review the distribution of assets at a total Plan level every quarter from the investment monitoring report. Cash-flow shall be used to aid rebalancing where the opportunity arises.

Performance Objectives

The performance objectives of the appointed managers are as follows:

Manager	Asset Class	Benchmark	Performance Objective
ILIM	Global Equity	MSCI World Index	Track benchmark, gross of fees
BlackRock	Multi-Asset	3-Month Euribor	To outperform benchmark by 4.6% p.a. over rolling three-year period.
Man Group	Multi-Asset	3-Month Euribor	To outperform benchmark by 4.9% p.a. over rolling three-year period.
Zurich Life / BlackRock	Multi-Asset	EOINA (Euro Overnight Index Average)	To outperform the benchmark by 4% p.a. gross of fees
Zurich Life / BlackRock	Absolute Return Bonds	3 month Libor (EUR)	To outperform the benchmark by 4% to 6% p.a. gross of fees
BMO	Bespoke LDI Portfolio	To match liabilities based on a chosen duration	To perform in line with benchmark

Performance is evaluated against these objectives on at least an annual basis, with a critical review every three years.

Section B: Defined Contribution

Investment Objectives

The investment objectives of the Trustees are:

(a) To provide a range of efficiently managed fund options that meet the broad needs of the members of the Plan.

(b) To provide appropriate information on these funds such that members are assisted in understanding and making their choice of fund.

Notwithstanding the above, members must understand that the Trustees do not accept responsibility for the success or otherwise of the options made available to them. Members have responsibility to read and understand the documentation available to them so that the choices made by them adequately reflect their objectives and their own attitude to risk.

Risk Measurement Methods

Given the defined contribution nature of the Plan, the Trustees will determine the range of fund options to be offered by reference to the nature and duration of the liabilities of individual members or categories of member. In particular, the Trustees will consider the following risks:

- The risk of achieving an insufficient level of capital growth over time, so that the member's invested contributions achieve a lower overall return than that required to keep pace with earnings inflation;
- The risk that the value of a member's account moves significantly out of line with the movement in the value of annuity rates, leading to uncertainty about the amount of retirement income the member will receive for a given amount of retirement savings;
- The risk that the value of a member's account falls sharply due to investment market volatility; and
- The risk that members will not possess sufficient understanding of the options provided to make an informed decision, due either to an excessively wide or complex range of options or to provision of insufficient information on those options.

Risk Management Processes

The Trustees will ensure that within the fund choices that are available, the risks most applicable to each member can (if the member so chooses) be kept to a level that is appropriate for that individual member. This will be achieved by careful selection and monitoring of the range of funds on offer. Furthermore, the Trustees recognise the importance of providing appropriate information to members on the range of funds offered, so that each member is in a position to make an informed decision on their choice of fund(s).

Current Investment Policy

The current range of fund categories is set out on the following page along with a description of the investment manager arrangements adopted by the Trustees.

Strategic Asset Allocation

To manage the risks set out earlier in this Statement, the Trustees currently offer the following categories of white labelled fund options to members:

- Global Equity Fund
- Global Consensus Fund
- Absolute Return Fund
- Bond Fund
- Cash Fund

Manager Structure and Performance Objectives

To provide prudent and efficient management of the funds available under the above broad categories, the Trustees have considered under each category:

- What type of management to adopt (e.g. active/passive);
- How many options to provide;
- What managers to appoint; and
- What performance objectives to set for the appointed managers.

As a result of these considerations the Trustees have selected a range of fund options to offer to members. These funds, along with their performance objectives, are detailed in the table below.

Category/ Asset Class	**Type of Management**	**Manager**	**Fund Name**	**Benchmark**	**Objective**
Global Equity	Passive	ILIM	Indexed World Equity Fund	MSCI World Index	Track benchmark, gross of fees
Global Consensus	Passive	ILIM	Global Consensus Fund (World Equities)	Aon Managed Fund Index	Track Benchmark, gross of fees
Absolute Return	Active	ILIM	Astellas Diversified Growth Fund	3 month Euribor	To outperform the benchmark by 4% p.a. gross of fees
Bond	Passive	ILIM	Passive > 10 yr AAA/AA Euro Gov Bond Fund	ICE/BofA AAA/AA EMU Govt > 10 Year Bond Index	Track benchmark, gross of fees
Cash	Active	ILIM	Cash Fund	3 Month Euribor	Above benchmark, gross of fees

Performance is evaluated against these objectives on at least an annual basis, with a critical review every three years.

Default Option

Where members wish to delegate the decision-making process to the Trustees, the Trustees have established a Default "Lifestyle" investment strategy which is reasonable for any member not wishing to make his/her own investment decisions. This strategy will have the following main objectives:

1. To maximise the value of members’ retirement benefits subject to acceptable levels of risk

2. To protect the value of those benefits as members approach retirement.

The Lifestyle strategy adopts a predefined and prudent investment strategy throughout membership of the Plan. It aims to achieve "real" long term investment returns in a member's early years of Plan membership and, as retirement approaches, protect the capital value of the accumulated Retirement Savings Account by gradually moving to a more conservative investment strategy as per the following Table.

Age	Global Equity Fund	Absolute Return Fund	Cash Fund
Up to age 45	100%	0%	0%
Age 46	90%	10%	0%
Age 47	80%	20%	0%
Age 48	70%	30%	0%
Age 49	60%	40%	0%
Age 50	50%	50%	0%
Age 51	40%	60%	0%
Age 52	30%	70%	0%
Age 53	20%	80%	0%
Age 54	10%	90%	0%
Age 55 to Age 60	0%	100%	0%
Age 61	0%	80%	20%
Age 62	0%	60%	40%
Age 63	0%	40%	60%
Age 64	0%	20%	80%
Age 65	0%	0%	100%

Communication

Information is provided to members in a number of ways, including through the plan booklet, member presentations and online information. Regular opportunities to switch between fund options are also offered.

Section C – Responsible Investment

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.

Signed on behalf of the Trustees

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May 18, 2022

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Owen Moore
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May 24, 2022

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

Effective Date of this Statement: April 2022