

Nest's stewardship conflicts of interest policy



October 2023

Introduction

Being a responsible investor and an effective steward of our members' assets are core to Nest's investment approach. Nest believes voting and engaging with companies can help support positive behavioural change and build good relationships and trust with companies. The more we engage with corporations, vote at AGMs, vote on shareholder resolutions and work with regulators and standard setters in the jurisdictions within which we invest, the greater the potential for conflicts of interest or the perception of them to arise.

These conflicts relate to potential tensions between our fiduciary role as owners of securities on behalf of our members, our role as a commercial provider of pension services to UK corporates, and our role as a government arms-length body.

The objectives of this document are to:

- › demonstrate where potential conflicts of interest may arise
- › demonstrate how Nest plans to manage these conflicts
- › show responsibility and alignment with our members' likely values and interests.

Our policy

Nest is a signatory to the Financial Reporting Council's (FRC) **UK Stewardship Code**. The UK Stewardship Code 2020 aims to promote '*the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.*' There are twelve principles that make up the Code. The third principle relates to managing conflicts of interest: *Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.*

An institutional investor's duty is to act in the interests of its beneficiaries. For Nest, these are the members of the scheme on whose behalf we invest their pension contributions. Conflicts of interest will inevitably arise from time to time, which may include when voting on matters affecting a parent company or client. Institutional investors should put in place, maintain and publicly disclose a policy for identifying and managing conflicts of interest with the aim of taking all reasonable steps to put the interests of their beneficiary first. The policy also addresses how matters are handled when the interests of clients or beneficiaries diverge from each other.

Nest recognises both the potential for conflicts of interest as well as the perception of a conflict, through its various roles as an institutional investor, service provider, and public body with specific statutory responsibilities as part of the automatic enrolment reforms.

For the Nest scheme, the primary areas where the potential for conflicts to arise are:

- › Voting and engaging on matters affecting one of our corporate clients using or prospective clients planning to use Nest to fulfil their automatic enrolment duties

- › Engaging with UK government and regulatory bodies on issues relating to the activities and regulation of UK businesses, and our role as a Public Corporation with financial backing from the UK government in the form of a loan
- › Investment in government securities, such as gilts or infrastructure projects.

In order to manage these conflicts, Nest has a clearly articulated statement of how it will act as an institutional investor in the form of Nest's **voting and engagement** policy. This policy is reviewed every three years, and approval for any changes is the responsibility of Nest's Investment Committee, made up of trustees of the pension scheme.

The day-to-day delivery of the voting and engagement activity in line with Nest's policies is delegated to the chief investment officer (CIO) of Nest Invest. The CIO is accountable to the Investment Committee of the scheme for matters relating to Nest's stewardship activity.

Decisions about voting and engagement activity are agreed within Nest Invest. Influence on Nest's voting and engagement activities from other areas of Nest Corporation is not permitted. There is no input from those parts of Nest Corporation with responsibility for client relationships and client acquisition.

There may be times when we choose to make information about our engagement with companies' public. We do this as part of our stewardship approach to raise awareness across the industry about an important issue, reinforce the need for behavioural change in companies or commend publicly the progress companies are making after investor engagement. We have developed a process to notify, for information only, the client relationship team within Nest ahead of each individual public engagement in a UK company.

The voting and engagement policy is published annually and our voting records are published each quarter on Nest's [website](#). Each year Nest publishes a summary voting report, which provides details of the year's voting activity and how voting is aligned to our published policy.

As part of Nest's Responsible Investment approach, Nest responds to consultations from the UK government and UK regulators in relation to corporate governance and stewardship activity. One of Nest's responsible investment objectives is to be an active participant in supporting the efficient functioning of markets and promoting higher standards of corporate governance and sustainability, reporting and transparency. Engagements and representations will be in line with our public policy on corporate governance and sustainability as found in our voting and engagement policy. Decisions about how to apply Nest's stewardship responsibilities when engaging with government and regulators are delegated to the CIO of Nest Invest.

There will be instances where the interests of Nest's clients (employers), beneficiaries (members) and Nest's sponsoring government department diverge. In these instances when exercising our stewardship responsibilities only the interests of Nest's beneficiaries will be taken into account.

Where the issue is not clearly articulated in our published voting and engagement policy or where there is dispute across Nest Corporation as to the interpretation of those policies, the investment team will revert to the Investment Committee to determine how to resolve the conflict in accordance with their trustee responsibilities to act in beneficiaries' best interests. The Investment Committee may seek additional independent and expert advice from one of Nest's external investment consultants to support them in resolving any conflicts. The final decision of how to proceed will remain with the Investment Committee.

Examples

The table below outlines some likely potential stewardship conflicts and how Nest manages these:

Example 1 - voting	Conflict	How Nest manages it
If a person at Nest Invest who has an influence on voting activity holds a role or is connected to a company in which we have an equity or bond holding.	The CIO is a trustee of a pension scheme whose sponsoring employer is the company holding and may try to influence a vote at that company's AGM.	Voting decisions are made by Nest Invest's Responsible Investment team. Individuals at Nest Invest who may get involved in key voting decisions must identify and declare any conflicts to the Head of Responsible Investment and Compliance.
Example 2 - engagement	Conflict	How Nest manages it
If our long standing engagement effort at a UK company is unsuccessful and Nest Invest decides to escalate the engagement and support a public statement ahead of the company AGM.	The company in question is one of Nest's employers. Nest's client relationship team may try to prevent Nest Invest from supporting the public statement for fear of damaging the client relationship.	Corporate engagements are undertaken by Nest Invest's Responsible Investment team with no influence from outside Nest Invest. For information only, Nest Invest will inform the client relationship team of any upcoming public engagements with UK companies so the client relationship team can manage any communication with relevant employers appropriately.

Reporting

Nest shall explain how it has identified and managed any instances of actual or potential conflicts related to stewardship, and shall disclose examples of how it has addressed actual or potential conflicts in accordance with the reporting requirements of the FRC Stewardship Code in our annual Responsible Investment report.

Policy review

This Conflicts of Interest policy was approved by the board of Nest Corporation in Autumn 2023. It is due to be next reviewed in 2026.

Version control

Version	Change	Date implemented
1	Document created	October 2020
2	Included examples of the types of conflicts that could arise and discusses how Nest seeks to manage them	October 2023