

Nest Corporation Investment Committee

Terms of Reference



The Nest Corporation Governing Body (hereinafter 'NCGB' or 'Board') executes the functions¹ set out in the Pensions Act 2008 and the Nest Order and Rules. It cannot delegate matters which set the strategic direction of the organisation; the overall accountability for the trust; decisions in respect of the distribution of trust assets; the setting of investment strategy; and matters that are vital for the overall security of the scheme assets. It may however delegate processes such as research, the consideration of issues and making of recommendations and the execution of approved decisions to competent persons.

The Investment Committee (the 'Committee') is a Committee of the Board, from which it derives its authority, and to which it shall regularly report. The primary role of the Investment Committee is to consider, make decisions and provide oversight and challenge over all investment issues. The Committee shall have oversight of Nest Corporation, the Nest Scheme and Nest Invest Ltd as appropriate.

1 Roles and Purpose

The Committee's key role is to:

- › Receive and consider recommendations on the development of Nest's investment strategy in order to deliver the organisation's agreed investment objectives, for approval by the Board;
- › Monitor the implementation of the investment strategy, including investment performance and governance; and
- › Monitor compliance with the Investment Management Agreement (and Schedules) with Nest Invest Ltd. ('Nest Invest').

2. Responsibilities

This document sets out the specific responsibilities of the Committee, including the decision-making powers as well as the oversight role.

Investment Strategy and Performance Oversight

2.1

REVIEW and RECOMMEND to the Board the approval of the investment objectives, investment beliefs and related investment strategy, and any proposed changes.

2.2

REVIEW and RECOMMEND to the Board the approval of the Statement of Investment Principles ('SIP') and any proposed changes thereto on at least a triennial basis and without delay after any significant change in the investment approach or the demographics of the scheme.

¹ Not a defined term but generally understood to include powers and duties.

2.3
REVIEW and RECOMMEND to the Board any additions, changes to objectives, or deletions to fund choices.

2.4
REVIEW and APPROVE the inclusion of any new asset classes into Nest's investment universe.

2.5
REVIEW and APPROVE at least annually the Investment Risk Appetite Statement.

2.6
APPROVE the risk appetite for rebalancing rates for Nest Guided Retirement Fund investment strategy

2.7
REVIEW and provide assurance to the Board Risk Committee on the management of Nest's Investment Performance Principal Risk.

Annual Reporting

2.8
REVIEW and RECOMMEND to the Board on at least an annual basis the SIP implementation statement.

2.9
REVIEW and RECOMMEND to the Board on at least an annual basis the Taskforce on Climate-related Financial Disclosures (TCFD) report.

2.10
REVIEW and APPROVE the Responsible Investment Annual Report

Investment Management Agreement

2.11
RECOMMEND to the Board any proposed changes to the Investment Management Agreement between Nest Corporation and Nest Invest Ltd. and APPROVE any changes to the Schedules of the Investment Management Agreement.

2.12
REVIEW on an annual basis, adherence of Nest Invest to the Investment Management Agreement ('IMA') and Schedules and RECOMMEND to the Board any required changes to the IMA contract (with the exception of the schedules as set out in 2.11).

2.13
REVIEW, at least triennially, the governance arrangements with Nest Invest Ltd. and review the scope, purpose and value for money of Nest Invest Ltd.

Fund Managers

2.14
REVIEW and APPROVE on a triennial basis the framework for the appointment, termination and monitoring of fund managers and any proposed changes.

2.15
APPROVE the appointment of fund managers following receipt of appropriate regulated Section 36 advice.

Asset Allocation and Performance Measurement

2.16
APPROVE strategic asset allocation at least on an annual basis through the setting of investment constraints (permitted asset allocation limits, liquidity and diversification requirements) for Nest Retirement Date Funds, and reference portfolios and asset allocation constraints (policy group ranges) for fund choice strategies.

2.17
APPROVE changes to asset allocations through changes to investment constraints for the Nest Retirement Date Funds or reference portfolios and policy group ranges for fund choice strategies upon appointment of a fund manager in a new asset class or as required.

Policies and Standards

2.18
REVIEW and APPROVE any policies as set out within the Nest Investment Policy Framework, and as related to investment performance and strategy, in line with the review schedule set out in appendix 1 of these Terms of Reference.

2.19
REVIEW and APPROVE on an annual basis the full list of investment policies and review frequencies set out in the policy review schedule in Appendix

3 Membership, Quorum, Attendance, Procedures

3.1
The Committee will meet per a schedule agreed by the Committee Members. Apologies for absence shall be given in advance to the Corporate Secretariat team. Individuals who are unable to attend are invited to raise any points with the Chair in advance of the meeting.

3.2
The Committee will be made up of both members of the Nest Board and additional Committee Members who may not also be members of the Board of Nest Corporation. The quorum for the Committee is **two** Committee Members, one of which must also be a member of the Board. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee. Meetings may be held via electronic means and attendance via video or teleconferencing shall be deemed to be attendance in person.

3.3
In the absence of the Committee Chair, the remaining Committee Members shall elect one of their number to Chair the meeting.

3.4
Decisions will normally be reached by consensus, but any Committee Member may call for a vote. Where necessary, voting will be by a show of hands and in any equality of voting, the Committee Chair of the meeting shall have a casting vote. This will not apply at Committee meetings where only two Committee Members are present, where a consensus must be reached before a decision can be taken.

3.5
All Board Members have attendance rights but have no voting rights unless they are a member of the Committee. Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chair. Members of the Executive Committee including the Chief Executive Officer and Chief Investment Officer will be regular attendees at the meeting but will not have attendance rights or voting rights. The Committee

may invite such other persons to attend its meetings, as it deems necessary.

3.6
Unless otherwise agreed, notice of each meeting confirming the venue, time and date, shall be forwarded to each member of the committee, and any other person required to attend no later than five working days before the date of the meeting.

3.7
The Corporate Secretary or his/her nominee shall act as Secretary to the meeting and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

3.8
The Committee will receive and share information with other Nest Committees as deemed appropriate and necessary by this Committee or by another Board Committee.

4 General powers and duties

4.1
The Committee must ensure regular reporting back to the Board on matters within its remit, and should at least annually, discuss its own effectiveness and review its terms of reference and recommend any changes to the Board for approval.

4.2
The Committee will produce a report on its activities to be included in the Nest Corporation and Nest Scheme Annual Reports and Accounts.

4.3
The Committee may undertake any other task or activity which it considers is conducive to supporting the Board in the effective discharge of its duties.

4.4
The Committee shall make whatever recommendations to the Board it deems may be appropriate within its remit where action or improvement is needed.

4.5

The Committee will have access to sufficient resources in order to carry out its duties, including access to the Corporate Secretary for assistance, as required. The Committee is authorised by the Board to obtain outside legal or other professional advice in relation to any matters or responsibilities as set out in this terms of reference document.

4.6

The Committee may delegate to an individual Executive such of its delegated powers as it sees fit but must document these delegations.

4.7

The Committee may only enter into agreements relating to matters which have been reserved to it.

4.8

The Committee may set its own operating procedures and monitor the effectiveness of its processes in line with its terms of reference and may review and make recommendations to the Board on changes to its terms of reference.

4.9

The Committee will determine whether a potential conflict of interest raised by a Committee Member precludes that Committee Member participating in a discussion or involvement in taking a decision on a particular topic. The Committee must resolve unanimously that a conflict may be disregarded (The relevant section in the Pensions Act 2008 is "Disqualification for acting in relation to certain matters", Schedule 1 paragraph 13(3) – 13(5)). Conflicts will be documented and reviewed regularly.

Appendix

Investment Policy Framework review schedule (Appendix updated 2 February 2023)

Policy Name	Role of IC	Frequency of IC review	Interim review/reporting?
Investment policy on stewardship conflicts of interest	Recommend to NCGB	Triennial, or when a significant change is proposed	Instances where we have identified and managed Col are explained in the annual RI report
Responsible investment objectives	Approve	Triennial, or when a significant change is proposed	
Investment policy on derivatives	Approve	Triennial, or when a significant change is proposed	
Investment policy on divestment from controversial weapons	Approve	Triennial, or when a significant change is proposed	Annual CIO review of implementation, reported in CIO update
Investment policy on unit pricing and fair value	Approve	Triennial, or when a significant change is proposed	Annual CIO review of implementation, reported in CIO update
Investment policy on rebalancing portfolios	Approve	Triennial, or when a significant change is proposed	
Investment policy on securities class actions	Approve	Triennial, or when a significant change is proposed	Annual summary of activity, reported in CIO update
Investment policy on climate change risk	Approve (then sent to NCGB to note)	Triennial, or when a significant change is proposed	Biannual reporting on climate data in MI pack and annual roadmap progress each summer.
Investment policy on securities lending	Approve	Triennial, or when a significant change is proposed	Annual CIO review of implementation, reported in CIO update
Investment policy on voting and engagement	Approve	Triennial, or when a significant change is proposed	Annual CIO review of implementation, reported in CIO update
Manager Selection Framework	Approve	Triennial, or when a significant change is proposed	
Manager Monitoring Framework	Approve	Triennial, or when a significant change is proposed	

Publication Schedule

Report name	Role of IC	Frequency of publication
SIP Implementation Statement	Recommend to NCGB	Annual
TCFD Report	Recommend to NCGB	Annual
Responsible Investment Annual Report	Approve	Annual

Version	Approved by	Effective from
V1	Nest Corporation Governing Body	05/07/2010
V2	Nest Corporation Governing Body	14/07/2014
V3	Nest Corporation Governing Body	21/10/2020
V4	Nest Corporation Governing Body	30/06/2022
V5	Nest Corporation Governing Body	21/09/2023

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