

# Nest Corporation Investment Committee

## Terms of Reference



The Nest Corporation Board (hereinafter 'Board') executes the functions<sup>1</sup> 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 any subsidiary undertakings as appropriate.

## 1 Role 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 oversight role.

### Investment Strategy and Performance Oversight

- 2.1 REVIEW and RECOMMEND to the Board the approval of the investment objectives, 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 (including but not limited to: any additions, changes to objectives, demographic changes or deletions to fund choices) on at least a triennial basis.
- 2.3 REVIEW and APPROVE on at least an annual basis the SIP implementation report.

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<sup>1</sup> Not a defined term but generally understood to include powers and duties.

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- 2.4 REVIEW and RECOMMEND to the Board any additions, changes to objectives, or deletions to fund choices.
  - 2.5 REVIEW and APPROVE the inclusion of any new asset classes into Nest's investment universe.
  - 2.6 REVIEW and APPROVE at least annually the Investment Risk Appetite Statement.
  - 2.7 REVIEW and APPROVE on an annual basis the Responsible Investment Annual Report and RECOMMEND to the Board the Stewardship Conflicts of Interest Policy.
  - 2.8 REVIEW and provide oversight of the implementation of the agreed investment strategy, activity, costs and performance, including receiving updates at least quarterly from the Chief Investment Officer, together with management information and oversight of key investment decisions taken by the Executive.
  - 2.9 REVIEW and APPROVE on an annual basis the investment return rates for Statutory Money Purchase Illustrations for Nest members Annual Benefit Statements.
  - 2.10 APPROVE the risk appetite for rebalancing rates for Nest Guided Retirement Fund investment strategy.

### **Investment Management Agreement**

- 2.11 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 under 2.12 below).
- 2.12 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.
- 2.13 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 REVIEW and APPROVE on an annual basis the investment reference portfolios and policy group ranges of Nest default phases and all fund choices.
- 2.17 APPROVE strategic asset allocation through the setting of reference portfolios and asset allocation constraints (policy group ranges).
- 2.18 APPROVE changes to asset allocations through changes to reference portfolios and policy group ranges upon appointment of a fund manager in a new asset class or as required.
- 2.19 REVIEW and APPROVE on an annual basis the Investment Performance Measurement Framework.

### **Policies and Standards**

- 2.20 APPROVE any policies and standards as set out within the Nest Policy Framework (Schedule 1A of the IMA), and as related to investment performance and strategy. This will include, but is not limited to annual review of the below:
  - Manager selection framework;
  - Standards on divestment from controversial weapons;
  - Standards on responsible investment;
  - Standards on voting and engagement;

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- Standards on best practice of unit pricing and on fair value;
  - Standards on rebalancing portfolios
  - Investment Conflicts of Interest Policy (to be recommended to the Board for approval); and
  - Such other similar standards as Nest may reasonably require from time to time.

### 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, any other person required to attend and all other Board Members, no later than five working days before the date of the meeting.
- 3.7 The Corporate Secretary of 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 Committee's as deemed appropriate and necessary by this Committee or by another Board Committee.

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## 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 Report 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 their 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 them.
- 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 (In the Pensions Act 2008, the relevant sections refer to “disqualification for acting, Schedule 1 paragraph 13(3) – 13(5). Conflicts will be documented and reviewed regularly.

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