

Nest Corporation Board

Terms of Reference



The Nest Corporation Board ('Board') executes the functions 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 Board shall have oversight of Nest Corporation, the Nest Scheme and any subsidiary undertakings as appropriate.

1 Roles and Purpose

The Board's key role is to:

- 1.1 take decisions in line with its statutory functions, fiduciary duties, legal and regulatory requirements and the framework within which public bodies must operate.
- 1.2 establish the vision, mission and values of Nest, determining how these will be promoted within the organisation.
- 1.3 set the strategic direction of Nest Corporation to maximise value for Scheme Members and beneficiaries, selecting strategies to be pursued and deciding the means to implement and support them, and receiving updates and assurance on the implementation from the Executive Committee.
- 1.4 oversee the implementation of strategy and the day-to-day operation of Nest Corporation, holding the Chief Executive Officer and Executive Committee Members to account and providing support and challenge as appropriate.

- 1.5 determine the governance arrangements for Nest Corporation, including for example its Committee structure and delegations to Committees and the Chief Executive Officer.

2 Responsibilities

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

The matters which are reserved to the Board for **APPROVAL** are:

2.1 Strategy/Finance

- 2.1.1 Nest's vision, mission and values as well as the strategic priorities, overall strategic aims and objectives. Determine the strategic options, selecting those to be pursued and deciding the means to implement and support them.
- 2.1.2 Nest's Annual business plan, and any changes.

2.1.3
borrowing money [*subject to the consent of the Secretary of State*]

2.1.4
the funding plan and drawdown mechanisms in the form of the annual approval of the Initial Funding Requirement Forecast and the Final Funding Requirement Forecast, as well as the annual budget.

2.1.5
The charges for Nest Corporation in connection with the exercise of its functions.

2.1.6
The appointment of the Scheme Administrator for Finance Act purposes.

2.1.7
Nest Corporation and Nest Scheme Annual Report and Accounts, including associated Letters of Representation to the respective auditors.

2.2 **Product and Charges**

2.2.1
significant propositional changes and receive regular reporting on implementation of the changes and customer related data.

2.2.2
Level of charges deducted from Nest members' pots, including contributions and charges for transfers, including approval of circumstances where further deductions/additional charges to members should be made (in addition to AMC and contribution charges).

2.2.3
Processes and principles for Imposition of charge of lien on entitlements and future rights to benefit or exercise of set off (CEO to implement).

2.2.4
Processes and principles for cancellation of a member's/beneficiary's right to benefits under the Scheme (CEO authorised to implement)
Categorisation of costs (determination of principles only – CEO authorised to implement.)

2.3 **Investment/Nest Invest Ltd.**

2.3.1
Nest's overall investment approach, objectives and overall investment strategy. This includes, but is not limited to - permitted asset types, benchmarks and target returns, as well as additions, changes to objectives, and deletion of fund choices. on at least a triennial basis, the Nest Statement of Investment Principles and any proposed changes (including but not limited to: any additions, changes to objectives, demographic changes).

2.3.2
The Nest Investment Conflicts of Interest Policy

2.3.3
The Articles of Association of Nest Invest Ltd., as the sole shareholder, as well as the appointment and removal of the Directors and Officers of Nest Invest Ltd

2.3.4
changes to the Investment Management Agreement with Nest Invest Ltd. (not the schedules, which are delegated to the Nest Investment Committee)

2.4 **Risk/Compliance/Audit**

2.4.1
The Risk Management Framework for Nest at least annually, receiving assurance that it remains current, relevant, fit for purpose and appropriate for Nest.

2.4.2
on at least an annual basis Nest Principal Risks, risk appetite, strategy and risk exposure for the organisation, and any material changes.

2.4.3
Nest's Tech 05/20 Report and Letter of Representation, or an equivalent internal controls report.

2.4.4
submissions to the Pensions Regulator required to be approved by the Nest Board under regulation or legislation.

2.4.5
The annual Value for Members assessment report, in line with requirements set out by The Pensions Regulator.

2.4.6
the recommendation from the Executive Committee that a Trigger Event has occurred and communication of the Trigger Event to the Pensions Regulator (as set out within the Continuity Strategy)

2.4.7
the Nest Continuity Strategy and Business Plan after receipt of assurance that the document meets the Master Trust Supervision requirements.

2.4.8
the appointment, re-appointment or removal of Nest Scheme/Corporation and any Nest subsidiary internal auditors, including fees and terms and conditions

2.4.9
The Annual Modern Slavery Act Statement for publication, in line with the Modern Slavery Act 2015

2.5 Governance Appointments

2.5.1
the appointment of the Board Chair and Board Members [after the initial period]

2.5.2
the appointment or removal of the Chief Executive Officer

2.5.3
the appointment or removal of the General Counsel and Corporate Secretary

2.5.4
the designation or removal of a Senior Independent Director

2.5.5
Appointment of professional advisers [*not investment advisers/legal advisers/external auditors/investigators*]

2.6 Corporate Governance Approach & Committees

2.6.1
Committee arrangements, including: the structure, appointment of Committee Chairs and members, (including the appointment to Committees of persons who are not Board members) the constitution and terms of reference, including any proposed changes. Oversight of these

arrangements and recommendations as to any substantive and/or material changes to the terms of reference will be made by the Nominations and Remuneration Committee.

2.6.2
Changes to the constitution of the Members' Panel and Employers' Panel and REVIEW the annual Panel reports

2.6.3
Authorisation of Conflicts of Interest following discussion as a Board, including whether any individual should not partake in specific decisions or discussions (as set out in 6.6).

2.6.4
any changes to Nest's corporate governance approach required to comply with external governance and regulatory requirements or best practice, to ensure that Nest continues to maintain appropriate levels of governance.

2.7 Constitutional Documentation

2.7.1
the Nest Scheme of Reserved Powers and Delegations, (to be reviewed annually) and any proposed changes and REVIEW arrangements for the appropriate delegation of decisions and day to day running of Nest,

2.7.2
The Framework Document between the Department for Work and Pensions ('DWP') and Nest Corporation, and any proposed changes

2.7.3
Any proposed changes to the Nest Rules made by Nest or the Secretary of State for Work and Pensions, and consider any changes to the Nest Order, as proposed by the DWP.

2.8 Reputational/Miscellaneous

2.8.1
Significant /strategic/contentious responses to consultations with regulators/DWP or any other external bodies

2.8.2
Any decision likely to have a material impact on Nest from any perspective, including, but not limited to, financial, operational, strategic or reputational, as agreed between the Chair and

CEO on appropriate advice from the General Counsel and/or Corporate Secretary

2.8.3

Pensions Trustee Liability and Directors and Officers Insurance arrangements

2.8.4

Prosecution, commencement, defence or settlement of significant/material litigation, or an alternative dispute resolution mechanism.

3 Matters reserved to the Board for REVIEW are

Strategy and Finance;

3.1

the monitoring criteria and monitoring processes to oversee the implementation of strategy and the day-to-day operation of Nest and receive regular reports on this.

Risk/Compliance/Audit

3.2

regular reports on the risk environment.

Corporate Governance Approach and Committees:

3.3

the results of the annual internal Board and Committee effectiveness review results, and the triennial effectiveness review results, and associated recommendations.

3.4

the arrangements to ensure effective collective Board capability to discharge duties effectively, through tailored training and development and regular assessment of skills and performance for Board Members

3.5

the decisions made by the Nest Committees and the receipt of regular reporting from Committee Chairs and the Chief Executive Officer

Reputational/Miscellaneous

3.6

any arrangements to consult with members and participating employers.

4 Discretionary Death Benefits/Expression of Wish

To make DECISIONS relating to the exercise of discretion on death benefits in accordance with rule 18.2.2 of the Nest Rules, where the value is above £200,000 and which have one level of complexity as outlined in the scheme of delegation.

5 Membership, Quorum, Attendance, Procedures

5.1

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

5.2

The quorum for the Board is five Board Members. A duly convened meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in the Board. Attendance by video or teleconferencing will be deemed to be attendance in person.

5.3

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

5.4

Decisions will normally be reached by consensus, but any Board Member may call for a vote. Where necessary, voting will be by a show of hands and in any equality of voting, the Chair shall have a casting vote.

5.5
Unless otherwise agreed, notice of each meeting confirming the venue, time and date, shall be forwarded to each member of the Board, and any other person required to attend, no later than five working days before the date of the meeting.

5.6
The Corporate Secretary of his/her nominee shall act as Secretary to the meeting and will ensure that the Board 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 meetings, including the names of those present and in attendance.

6 General Powers and Duties

6.1
The Board will include a report on its activities in the Annual Reports and Accounts for Nest Corporation and the Nest Scheme.

6.2
In line with the Scheme of Reserved Powers and Delegations, the Nest Corporation Board may seek advice from professional advisers in relation to its functions.

6.3
The Board may delegate to an individual Executive such of its delegated powers as it sees fit but must document these delegations.

6.4
The Board may enter into agreements relating to its functions, subject to any limits set out in the Framework Agreement between Nest Corporation and the Department for Work and Pensions and any associated documentation.

6.5
The Board may set its own operating procedures. The Board will review and approve individual policies as set out within the policy framework approved by the Risk Committee.

6.6
The Board will determine whether a potential conflict of interest raised by a Board Member precludes that Board Member participating in a discussion or involvement in taking a decision on a particular topic. The Board 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 | Trustee | 05/07/2010 |
| V2 | Trustee | 25/04/2013 |
| V3 | Nest Corporation Governing Body | 19/09/2014 |
| V4 | Nest Corporation Board | 21/10/2020 |
| V5 | Nest Corporation Board | 21/09/2023 |