



Nest's position on social factors

Our approach to managing social-related investment risks and opportunities

October 2026



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At a glance

Nest believes social factors – such as working conditions, human rights and health and safety – can influence long-term investment outcomes, as well as the wider economic and social conditions on which our members' future financial security depends.

This paper sets out Nest's approach to managing social-related risks and opportunities across our investments.

Our approach is guided by three social pillars: **fairness and equality**, **health and wellbeing**, and **respect for human rights**, underpinned by strong corporate governance.

We seek to address these issues through the investment levers available to us as an asset owner, including fund manager oversight, stewardship, advocacy and investment decision-making.

As understanding of social factors continues to evolve, we will continue to develop our approach and report publicly on our progress.

Introduction

Social factors are the issues that affect people in their roles as workers, consumers, community members and citizens. They cover a broad range of topics, including working conditions, health and safety, diversity, and human rights.

This document sets out Nest's position on social factors, including how we consider and integrate social-related risks and opportunities in the way we manage assets on behalf of our members. It explains why social factors matter to us as a long-term, diversified investor, the social issues we have chosen to prioritise, and the tools we use to address them across our investment portfolio, including the selection and monitoring of our external fund managers, the use of stewardship and advocacy, and asset allocation decisions.

We are publishing this paper both to provide transparency to our members and stakeholders, and to contribute to a broader industry dialogue on elevating the "S" in ESG.

As a position paper, this document is intentionally high-level. It sets out how we think about social factors and signals the direction of travel of our approach, rather than serving as a set of fixed commitments or targets. Social factors are a developing area, both for Nest and for the wider market, and our approach will evolve as research develops, as data quality and availability improve, and as we build on our own experience of putting it into practice.

It is also important to be clear about the nature of our role. As an investor, rather than an operator of the companies we invest in, we do not directly control corporate behaviour or the wider social outcomes that result from it. Instead, this document reflects how we seek to influence behaviour and manage risks through our investment decisions, our engagement with companies and fund managers, and our collaboration with others. The outcomes we describe are ones we work towards, recognising that they ultimately depend on many factors beyond our control, including the actions of companies, fund managers, governments and regulators.

This paper also builds on the foundations of work we have undertaken over many years in areas such as working conditions, diversity and inclusion, modern slavery and health – bringing this work together within a single, structured approach. A more detailed internal framework, which underpins this position paper, guides our day-to-day implementation.

We will review and update this document periodically to reflect emerging developments, stakeholder feedback and our experience applying the framework in practice.

Why this matters

Social issues have long been a central part of Nest's responsible investment approach. This focus reflects the fundamental role that people play in the performance of the companies and assets we invest in. Whether as workers, consumers or the communities around them, these stakeholders play a central role in how companies operate and perform over the long term.

We therefore consider social risks to be financially material. Failure to identify and manage them can contribute to company financial underperformance, reputational damage and the erosion of long-term portfolio value. Conversely, addressing them effectively can support sustainable growth and resilient long-term returns. Taking these risks into account is part of Nest's responsibility to act in members' best interests, and support good long-term investment outcomes.

Nest's members are also among these workers, consumers and community members, meaning their financial outcomes are shaped not only by investment returns, but by the wider social and economic conditions they experience throughout their lives.

However, we are seeing many social issues worsening. The UN's World Social Report 2025¹ describes a world characterised by economic insecurity, deepening inequality, declining social trust and social fragmentation. Emerging structural shifts are creating new social risks and reinforcing existing ones, including the rapid adoption of generative artificial intelligence (AI) and its implications for labour markets, the social consequences of the climate transition where it is not managed inclusively, and the growing role of digital platforms in the spread of misinformation and disinformation.

These issues are interconnected. Inequality reduces the resilience of communities to economic shocks.² Misinformation accelerates polarisation and erodes public trust. Weakened institutional trust, in turn, undermines the collective capacity to address shared challenges, such as climate change and technological disruption.³

1 United Nations Department of Economic and Social Affairs, [World Social Report 2025: A New Policy Consensus to Accelerate Social Progress \(2025\)](#)

2 OECD, In It Together: [Why Less Inequality Benefits All \(2015\)](#)

3 World Economic Forum, [Global Risks Report 2025](#)

Significant obstacles to addressing these risks remain. Unlike climate change, where international agreement on the goal of net zero provides a clear anchor, social issues lack a single universal target. They are multi-dimensional, context-specific and span diverse stakeholders, and the landscape continues to be shaped by evolving societal expectations, regulatory developments and emerging risks.

The data and tools required to manage social factors are also less developed. Reporting is often fragmented and difficult to compare across geographies and sectors, company data tends to focus on company policies rather than real-world outcomes for people, and ESG ratings on social factors frequently rely on inconsistent and opaque methodologies. These challenges do not reduce the importance of acting, but highlight the need to take a careful and considered approach.

It is for these reasons that we consider it more important than ever to develop a cohesive approach to social factors, one that aims to match the level of ambition and sophistication we have applied to climate change, while recognising that the two areas differ in important respects.

We are also encouraged by the emergence of initiatives such as the Taskforce on Inequality and Social-related Financial Disclosures (TISFD), which seek to bring greater consistency to how social risks and impacts are understood and reported. We support these efforts and will seek to align with emerging frameworks where this helps improve the quality and comparability of information over time.



How our approach has been developed

The following factors have shaped how we have developed our approach to social factors and the choices we have made about where to focus, including evidence from member research, engagement with our fund managers, and our assessment of how social risks and opportunities affect long-term investment outcomes.

A system-level perspective

Our starting point is financial materiality. As a trust-based pension scheme, we have a fiduciary duty to act in the best interests of our members.⁴

Nest invests across a broad cross-section of the global economy over long time horizons. Our portfolio is highly diversified across sectors, geographies and asset classes. As a result, our investment performance is closely linked to the long-term health of the economic and social systems in which our investments operate. In practice, this means that risks which operate at a system level, and which cannot be diversified away, are particularly important for our members' long-term outcomes.⁵

For example, high levels of inequality can weigh on economic growth and reduce the overall returns available across markets. Equally, because our portfolio is invested across many sectors and asset classes, the negative impacts created in one part of the economy can emerge as costs elsewhere. If workers are paid poorly or experience insecure employment in one sector, this may reduce spending power and weaken demand for goods and services in another.

For this reason, we have focused our approach on social issues that have the potential to affect the whole portfolio over the long term. These are complex and deeply embedded challenges that will not be resolved quickly or by any single investor. We therefore prioritise areas where we believe we can contribute to progress, often in collaboration with other investors, companies and policymakers.

While system-level risks are a central consideration, we also consider how social-related risks and opportunities can affect the individual assets in which we invest. This is particularly relevant as our allocation to private markets continues to grow. In asset classes such as real estate and infrastructure, social issues are often directly connected to financial performance. For example, poor management of health and safety risks during the construction and operation of assets can increase operational risks and costs. Conversely, assets with strong relationships with local communities and other stakeholders may benefit from a stronger licence to operate, enhanced reputation and greater support for long-term development and growth.

⁴ Guide from the Taskforce on Social Factors: [Considering social factors in pension scheme investments](#) (2024)

⁵ Quigley, Universal Ownership in Practice: [A Guide to Systemic Stewardship](#) (2020)

Grounded in member outcomes

Nest's purpose is to build financial peace of mind for all. This requires us to consider not only investment returns, but also the broader conditions that shape our members' financial security and wellbeing.

Many social issues are directly experienced by our members in their working lives and communities, including pay, working conditions and health outcomes. We have therefore considered where these issues are most likely to affect members over time, and how this aligns with the system-level risks identified above. In many cases, there is a clear overlap.

We have drawn on a range of sources to inform this perspective, including research from the [Centre for Inclusive Money at Nest](#)⁶ on the financial challenges facing low- and moderate-income households. We have also engaged directly with members. In 2025, we conducted focus groups with members to understand their views on social issues and corporate behaviour. In 2026, we convened a [Member Assembly](#), bringing together a representative group of members to explore responsible investment topics in greater depth and develop recommendations. These insights have informed our priorities and are reflected throughout this document.

Navigating the complexity of social factors

Different social factors are interconnected and often overlap with one another, as well as with environmental and governance issues. For example, the physical effects of climate change and nature loss can deepen social inequalities. These interconnections mean that social issues do not operate in isolation.

They are also dynamic. While the core principles we seek to support, such as respect for human rights and fair treatment of workers, are relatively stable, the underlying factors that can impact these principles continue to evolve. Technological change, geopolitical developments, regulatory shifts and changing societal expectations can all reshape how social factors materialise. For example, the rapid development of AI has introduced new questions spanning fairness and digital rights.

We have therefore designed our approach to reflect this complexity. We have identified a set of broad, long-term priorities (or pillars) that provide a consistent framework for assessing social risks and opportunities. Within this, we will identify more specific areas of focus over time, allowing us to respond to emerging issues while maintaining a clear long-term direction.

⁶ The Centre for Inclusive Money At Nest is a public-benefit research and innovation centre set up by Nest. Its mission is to find ways to support people to be financially secure, both today and into retirement.

Our social pillars

Informed by these considerations, we have identified three broad, enduring pillars that guide our approach to social factors:



These pillars were chosen because they sit at the intersection of the elements we outlined above that we identified as most important. Each represents a system-level risk with the potential to affect our whole investment portfolio over the long term. Each is also financially material to many parts of the portfolio where social factors are often more tangible, including real estate, infrastructure and other private market assets.

Beyond investment returns, these factors have a potential impact on the lives of our members and were consistently prioritised by members in both our qualitative research and our member assembly. They are also areas where we believe we have some ability to contribute to better outcomes through the investment levers available to us.

The selection of these pillars is also consistent with Nest's broader responsible investment prioritisation framework, which considers factors such as financial materiality, member relevance, real-world impacts and our ability to influence outcomes. This helps ensure that our social priorities are aligned with our wider responsible investment approach.

The pillars are deliberately broad. As stated, we wanted areas of focus that provide a consistent, long-term lens while remaining flexible enough to accommodate the interconnected and evolving nature of social issues. Beneath these pillars, we identify more specific, shorter-term priorities that allow us to take targeted action from year to year as risks and opportunities develop.



Fairness and equality

By fairness and equality, we mean the conditions in which individuals have equal opportunities, are treated fairly and are not subject to discrimination or exclusion.

We will use the levers available to us as investors to support progress on fairness and equality across the companies and assets we invest in. This includes looking at how workers are treated, how they are paid and rewarded, and the inclusion of underrepresented groups across the workforce and in leadership. We will also focus on the structures that enable fairer outcomes, including worker voice mechanisms, which evidence suggests are central to improving pay, conditions and workplace standards over time.⁷

We also recognise that fairness and equality extend beyond the workforce. Different aspects of fairness and equality may be experienced by workers, consumers, tenants, local communities and other groups connected to our investments. We will therefore seek to apply this lens across the different groups affected by our investments, focusing on the issues that are most relevant in each context.

Why this matters

When large parts of the workforce are underpaid, insecure or excluded from opportunity, the effects are felt across the whole economy. People with less to spend support fewer businesses, productivity stagnates and skills go underused. Deep inequality has been linked by international institutions such as the OECD and the IMF to slower economic growth, more frequent recessions and reduced social mobility.

It is also closely linked to poorer health outcomes,⁸ with those on lower incomes often more exposed to poor nutrition, insecure housing, unsafe working conditions and barriers to healthcare. The resulting costs are borne not only by individuals but by businesses, public services and the wider economy through lower productivity, higher healthcare costs and reduced workforce participation.

The consequences can also affect broader systems. For example, persistent unfairness can erode trust in institutions, fuel political polarisation and weaken the stability that businesses and markets rely on.⁹

This pillar is also directly relevant to our members. Nest's membership is more likely than average to come from low- to middle-income households, with median earnings around 23% below the UK average for pension savers, and members are more likely to experience precarious employment, lower earnings growth and greater financial vulnerability.

When we asked members which social issues mattered most to them, workers' pay and rights ranked as the highest priority, and members consistently expressed the view that companies should pay a fair wage, respect workers' rights and prioritise employees and communities alongside shareholders. Members also raised concerns about the gap between executive and worker pay. These themes were reinforced in our member assembly, where members developed recommendations focused on pay transparency, supporting the payment of the real Living Wage and reducing inequalities across gender, ethnicity and other demographic groups.

⁷ International Labour Organization, [Social Dialogue Report 2022: Collective bargaining for an inclusive, sustainable and resilient recovery](#) (2022)

⁸ World Health Organization, [Social Determinants of Health](#)

⁹ OECD, [Building Trust to Reinforce Democracy](#) (2024)



Health and wellbeing

By health and wellbeing, we mean the physical and mental health of workers, consumers, communities and the wider population. We use the term to cover issues such as nutrition, mental health, workplace safety and access to healthy environments.

We will use the levers available to us to address the most material aspects of health and wellbeing across our portfolio and to contribute to action on health risks that pose the greatest systemic threats, including topics such as consumer nutrition and antimicrobial resistance. We will prioritise issues where companies have a clear ability to influence health outcomes, whether as employers, producers of goods and services, or operators of infrastructure and real assets where health and safety risks are most tangible.

Why this matters

A healthy workforce, consumer base and community are essential to a functioning economy. When health declines, people work less, spend less and place greater pressure on public services. In the UK alone, more than 2.8 million people are now out of work due to long-term sickness, the highest figure on record.¹⁰

Globally, issues such as poor diet, mental ill-health and antimicrobial resistance are estimated to cost the economy trillions of dollars each year through lost productivity, higher healthcare costs and weaker growth.¹¹ These costs are not confined to the healthcare sector. They ripple across every industry our members' savings are invested in, weakening demand, raising costs and reducing growth.

As a long-term investor with broad exposure to the economy, Nest has a clear interest in supporting healthier workplaces, products and communities, both to protect members' savings and to contribute to the conditions in which they will spend their retirement.

Health is also a priority for our members. When ranking social issues, members placed health and addictive products and services second only to workers' pay and rights, with strong views that access to healthy food and a healthy lifestyle should be a right, with a particular focus on vulnerable groups, including children and people on lower incomes.

In our Nest Member Assembly, members placed health impacts among the most popular topics for discussion, and members developed recommendations on preventative healthcare, limiting investment in addictive products, and ensuring food and drink companies uphold high product standards, even in markets with weaker regulations.

¹⁰ UK Parliament House of Commons Library, [Economic update: Inactivity due to illness reaches record](#) (2024)

¹¹ ShareAction, [Health: An Untapped Asset – How investors can strengthen returns by improving health outcomes](#) (2021), World Bank, [Drug-Resistant Infections: A Threat to Our Economic Future](#) (2017)



Respect for human rights

By human rights, we mean the universal rights and freedoms to which all individuals are entitled, including labour rights, freedom from discrimination and protection from exploitation and harm. For Nest, this also means meeting our responsibilities to respect human rights as an institutional investor under the [UN Guiding Principles on Business and Human Rights \(UNGPs\)](#).

We will continue to align our approach to the responsibilities we have to respecting human rights, consistent with the UNGPs, and embed a human rights lens into how we manage our portfolio. This means seeking to use our influence as an investor to identify, prevent, mitigate and address adverse impacts on people linked to our investments, recognising that the nature and extent of this work will depend on our leverage as an investor and the way each of our investments is structured and managed. We will focus on the most severe impacts on people, judged by their scale, scope and how difficult they are to put right.

Why this matters

Human rights issues are broad in nature and often underpin most other social topics, from fair pay and decent work to health, safety and inclusion. This means the relevance of human rights cuts across virtually every company and asset in our portfolio, even though the specific issues will vary depending on the sector, geography and business model.

At a high level, we see respect for human rights as a guardrail for a well-functioning society and economy. Where rights are upheld, people are able to contribute productively to society and the economy, participate in markets as workers and consumers, and engage in the institutions on which long-term economic stability depends.¹²

Where they are not, this of course affects the individual but can also undermine how well economies function. For example, research from the Finance Against Slavery and Trafficking (FAST) initiative¹³ estimates that the global economy could be substantially larger if those in modern slavery were able to participate freely in the labour market and earn fair wages, with the additional spending power and productivity flowing through to the wider economy.

Where human rights abuses do occur, such as forced labour, discrimination or the misuse of personal data, they cause serious harm to people and carry real consequences for businesses and markets. Companies linked to abuses can face supply chain disruption, legal action and reputational damage.

Respect for human rights is also a responsibility embedded in international law and standards. The Universal Declaration of Human Rights, the International Labour Organization core conventions and the UN Guiding Principles on Business and Human Rights (UNGPs) establish that all businesses, including institutional investors, have a responsibility to respect human rights wherever they operate. Companies that fail to take appropriate measures to identify, prevent, mitigate and remedy adverse human rights impacts increasingly face regulatory enforcement, litigation, as well as the loss of their licence to operate across markets.

This pillar is also directly relevant to our members, who, as workers and consumers, are affected by issues such as the right to freedom of association and collective bargaining, and privacy and data protection. Insights from our member research and member assembly reinforce that human rights remain an important issue for our members, and they expressed a clear preference to avoid investments exposed to human rights abuses and modern slavery, and to address them where they do occur. We take these views into account alongside our duty to act in members' financial interests, as well as practical considerations that shape how far we can act.

¹² PRI, [Why and how investors should act on human rights](#) (2020)

¹³ Finance Against Slavery and Trafficking (FAST), [Unlocking Potential: A Blueprint for Mobilising Finance Against Slavery and Trafficking](#) (2021)



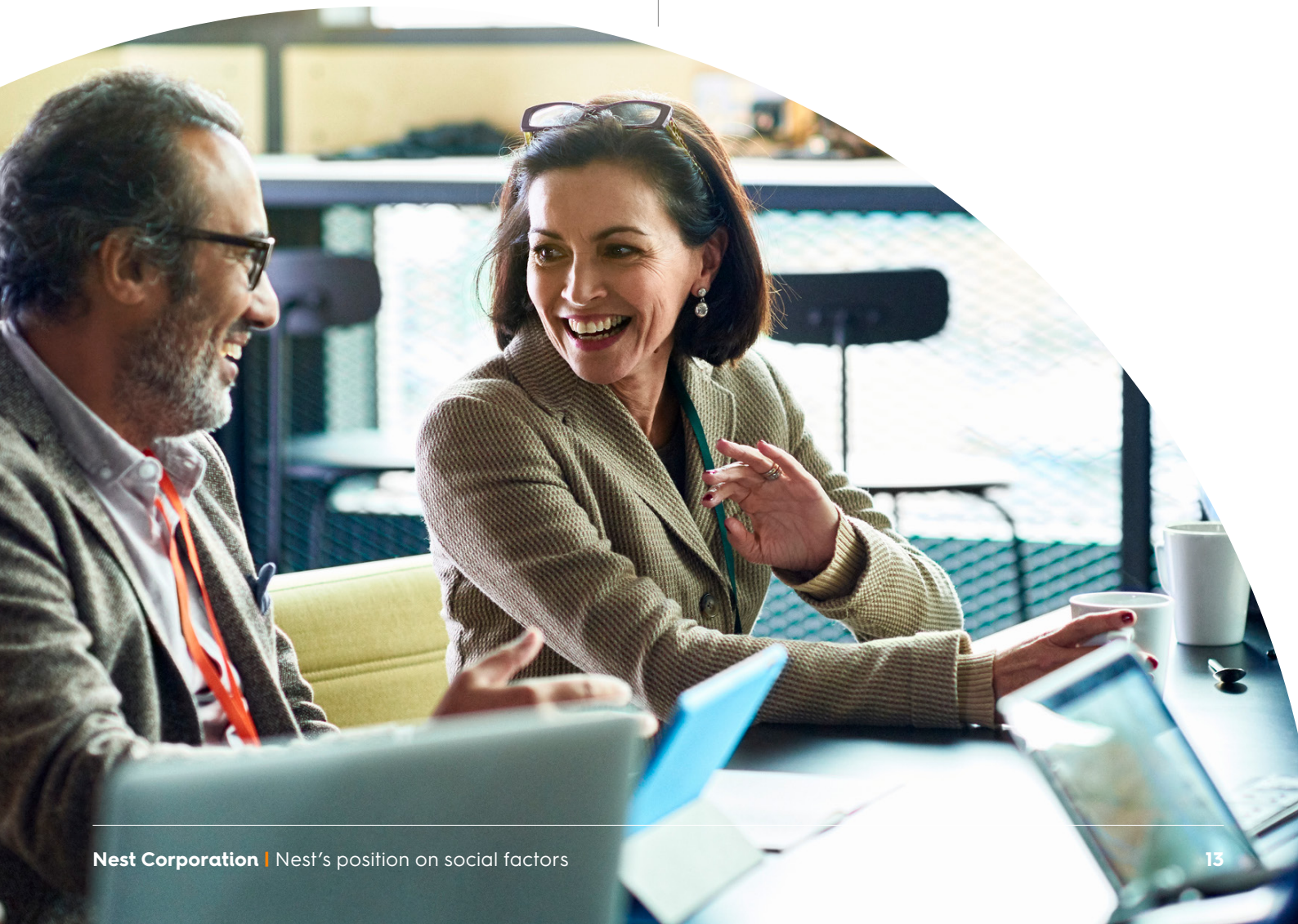
Governance

Underpinning these three pillars is the foundation of robust corporate governance. By robust corporate governance, we mean the systems, structures and practices that determine how a company is run and held to account. This includes how decisions are made, how risks are overseen, and how leaders are incentivised.

Strong corporate governance is critical to managing social risks and opportunities effectively. Among other examples, it means there are clear structures in place for board and senior management oversight of material social issues, supported by accountability lines that ensure responsibility is owned at the top, and executive pay and incentive structures are designed to reward sustainable, long-term value creation.

We expect companies to demonstrate sound governance practices, and these expectations are reflected in our [voting and engagement guidelines](#). These include sufficient board independence, effective oversight of strategy and principal risks, and disciplined remuneration practices aligned to long-term value. Specifically in relation to social factors, we expect companies to have board-level oversight and accountability for material social issues, clear policies and processes for managing social risks across operations and value chains, meaningful dialogue with key stakeholders such as workers, and transparent disclosure of how social risks and opportunities are governed.

We will continue to enhance our approach to governance of social factors to ensure companies are properly equipped to manage current and emerging issues. As part of this, we will develop our work on corporate lobbying on social issues, where transparency currently remains limited and where misaligned lobbying can undermine broader progress on the social outcomes we are working to support.



How we are taking action

We have developed, and will continue to work on, a strategy for managing social-related risks and opportunities that focuses on four key investment levers available to us as an asset owner: fund manager selection and monitoring, stewardship, advocacy and asset allocation.

Fund manager selection and monitoring

Nest's assets are largely managed by external fund managers, whom we appoint to invest on our behalf across asset classes. This means that the day-to-day implementation of our investment strategy, including how social risks and opportunities are managed within our portfolios, largely depends on the capabilities and practices of the managers we hire. To meet our social ambitions, it is important that our managers are aligned with our approach and have the capabilities to identify and manage social risks and opportunities effectively.

We have set out clear expectations for our fund managers for the portfolios they manage for us, covering the following areas:

Approach

We expect managers to have a formalised approach to identifying and managing social risks and opportunities, which includes a commitment to respecting internationally recognised human rights.

Risk management

We expect our active managers to incorporate material social factors into their assessment of potential investments and ongoing monitoring. We also expect managers to have processes in place for human rights due diligence and to take corrective action where negative outcomes are identified.

Stewardship

Managers should use stewardship with investee companies to address key social risks and opportunities they have identified, set clear engagement objectives, and escalate where insufficient progress is made.

Disclosures

Managers should regularly report on their monitoring, management and outcomes of social factors across their funds, and provide mandate-level reporting in line with our expectations.

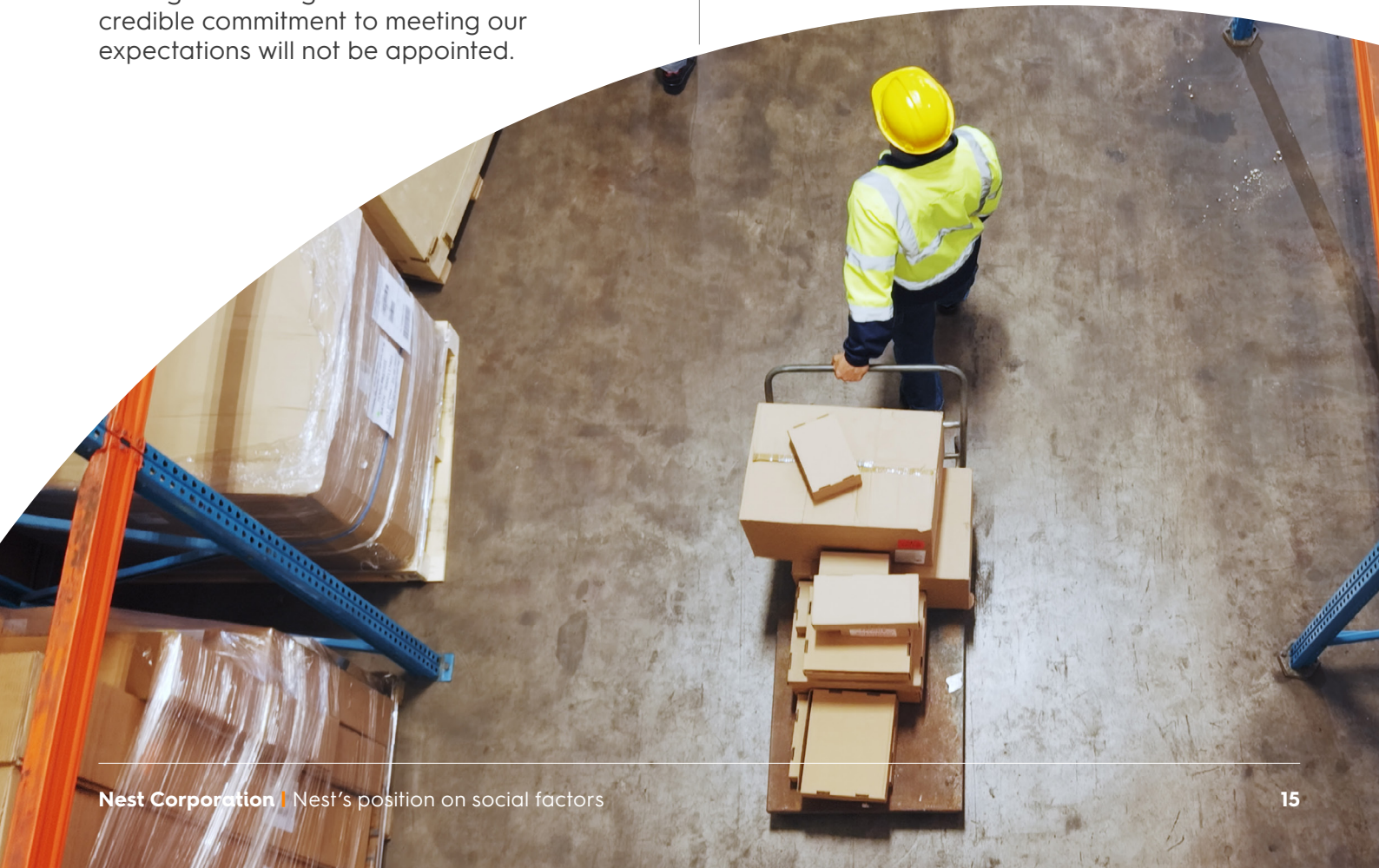
We also set tailored expectations for our fund managers by asset class, recognising that each presents different challenges. This is particularly relevant in private markets, where social risks are often more tangible, directly observable and directly linked to asset value. In these asset classes, issues such as worker health and safety during the construction and operation of assets in infrastructure, workplace culture in early-stage businesses in private equity, and the treatment of tenants in real estate, can all have a material impact on financial performance and long-term outcomes.

Reflecting the more acute nature of these risks, we have set enhanced expectations for our private markets managers, including more rigorous reporting requirements. As data and disclosure practices in these areas continue to develop, we will work closely with our managers to interpret the information we receive, share good practice, and strengthen our approach over time.

These expectations will apply to our existing fund managers and be embedded into our selection process for new appointments. Responsible investment capabilities, including a manager's approach to social factors, are also assessed as part of our due diligence when hiring new managers. Managers that cannot demonstrate a credible commitment to meeting our expectations will not be appointed.

Where we identify gaps between a manager's current practices and our expectations, we will develop tailored, mandate-specific social objectives in collaboration with the manager, with clear timelines and milestones for progress. We will review progress against these objectives regularly.

Manager performance on social factors also forms part of our broader ESG fund manager monitoring framework, which assesses managers against a range of ESG criteria, including governance and culture, quality of ESG integration, stewardship, adherence to our policies and screens, and alignment with our climate and social objectives. This assessment is reviewed by Nest's Manager Monitoring Committee and feeds directly into how we evaluate the performance of our managers. Where managers do not sufficiently align to the objectives set for them, they may be placed on our watchlist for closer scrutiny. If insufficient progress is made, we may ultimately withdraw our members' assets.



Stewardship

Stewardship is a powerful tool for us to influence the companies we invest in and to manage social-related risks and opportunities on behalf of our members. While we recognise that there are many factors that shape corporate behaviour and outcomes, we aim, through engagement and the use of our vote, to encourage companies to improve their practices and disclosures on social factors, hold them to account where progress is lacking, and contribute to better outcomes across the market.

We expect our fund managers to conduct stewardship on our behalf where social issues are relevant to the portfolios they manage for us. However, there are cases where we are well positioned to conduct stewardship directly. This tends to be where an issue is cross-cutting across all or most of our investments, where it is directly relevant to our members' lives, or where we believe we can add particular value through a sustained, focused relationship with a company.

For these reasons, much of the stewardship we conduct directly is, and will continue to be, focused on UK-based companies, where we have a large proportion of holdings and where the social externalities of these companies are most likely to be felt by our members.

Much of our stewardship is conducted collaboratively with other investors. Coordinated engagement and investor-led initiatives allow us to combine our influence with others, raise expectations consistently across companies and sectors, and make more efficient use of the resources available across the industry. We will continue to participate in collaborative initiatives where they are well governed, have clear objectives aligned with our social pillars, and offer the prospect of meaningful change.

Across our stewardship activity, at a high-level, we will seek progress against our core social pillars: fairness and equality, health and wellbeing, and respect for human rights. Within these pillars, we have identified sub-issues that sit at the intersection of being a system-level risk, material to our investments and significant in their real-world impact on people. For each sub-issue, we will set stewardship objectives that are specific, measurable and aligned with the outcomes we seek. We will establish clear expectations and milestones for company engagement and monitor progress against these objectives over time. Where due progress is not made, we may seek to escalate our engagement, by for example, voting against management at company meetings.

Our current stewardship priorities

Social pillar	Sub-issue stewardship priority	Example stewardship objectives
 Equality and fairness	Fair pay* Worker voice	— Encouraging low-paying sectors to align worker pay with the real Living Wage
 Health and wellbeing	Consumer nutrition	— Working with automotive companies to enhance due diligence and transparency in supply chains
 Respect for human rights	Modern slavery	

* We refer to fair pay both in the context of the adequacy of pay levels overall, and to fairness in the distribution of pay across different groups, including gender, ethnicity and age.

We have also identified data and technology-related harms, and antimicrobial resistance (AMR), as relevant concerns that span our social pillars. For example, the rapid adoption of AI has the potential to reinforce existing inequalities if its benefits are not shared fairly across different groups, while social media platforms can affect health and wellbeing through issues such as misinformation, addictive design features and impacts on mental health.

While we consider these issues to be highly relevant to long-term member outcomes and portfolio performance, we believe these will be most appropriately addressed through the stewardship activities of our fund managers, given their global nature and the established relationships managers have with many of the companies most exposed to these risks. We will continue to monitor our managers' approach, assess their stewardship activity in these areas, and reflect these themes within our own stewardship and advocacy activities where appropriate.

Voting

We have developed our own voting and engagement guidelines, which set out our expectations for companies on social issues and how voting should be used to support those expectations. This includes our approach to material issues such as workforce, human rights and supply chain practices, as well as enhanced expectations for specific sectors, such as management of antibiotic resistance risks in the food industry, and harmful content for social media companies. We will continue to vote against management where companies do not meet these expectations and co-file and support shareholder resolutions that strengthen the management and disclosure of social risks. These guidelines also provide a clear framework for how we expect our fund managers to approach voting, and we work with them over time to encourage strong alignment.



Advocacy

Many of the social challenges we seek to address are systemic in nature and cannot be solved through individual company engagement alone. Where a risk is market-wide, or where progress is held back by collective action problems, advocacy can be a more effective route to addressing such risks. Advocacy enables us to push for improvements at scale by influencing public policy, regulation, market standards and industry norms.

We will prioritise our advocacy activities related to social factors across the following areas:

Better transparency and data from investee companies

Robust, comparable data is essential for identifying, monitoring and acting on social risks. Today, the quality and availability of social data remain significant barriers to effective action across the investment chain. At the same time, we are cognisant of increasing reporting burdens for corporates and support the disclosure of data that is genuinely material and decision useful. We will work to improve the quality, consistency and useability of social-related disclosures and standards, support initiatives that promote greater transparency, and contribute to the development of emerging frameworks such as TISFD.

Stronger market standards and guardrails

Some social factors require minimum expectations to apply consistently across companies or sectors. Where progress is prevented by collective action problems, a market standard or regulation can be more effective than relying on voluntary first movers alone. For example, establishing a regulatory floor for supply chain due diligence creates a level playing field and reduces the competitive disadvantage for companies that choose to act responsibly. We will consider advocacy in these areas where we believe that company-level guardrails are needed to manage system-level social risks that affect our members and our portfolio, while advocating for regulation that is thoughtful and considers potential trade-offs and unintended consequences.

While we take a global perspective on social risks and opportunities, we will prioritise activities in the UK market, where our members are more likely to be directly affected and where we believe we have the greatest opportunity to influence outcomes. We expect our fund managers to stay abreast of relevant policy, regulatory and market developments across the jurisdictions in which they invest, and to use their influence where appropriate to support stronger standards, improved disclosures and better management of social-related risks.

Asset allocation

Some of our social considerations already inform how we allocate capital. For example, we invest in thematic equities that target long-term structural trends, one of which focuses on social themes such as healthcare access and financial inclusion.

Beyond these examples, asset allocation has played a less direct role in our social approach to date. However, looking ahead, we see a growing opportunity to more intentionally direct capital towards investments that deliver positive social outcomes alongside financial returns.

Investment screening and exclusions

Investment screening and exclusion decisions are closely linked to how we allocate capital. When we decide that certain companies or activities should be excluded from our portfolios, we are making a deliberate choice about where members' money should and should not be invested.

We maintain a set of portfolio-wide exclusions including on tobacco, controversial weapons manufacturers, and companies found to be in persistent violation of the UN Global Compact principles, including those relating to human and labour rights, where no corrective action has been taken.

It's important to note that our preference is generally to remain invested in a company behaviour through engagement. However, we apply these exclusions where the risks of remaining invested outweigh the potential benefits and the investment is fundamentally misaligned with our responsible investment approach.

We will continue to review our screening and exclusion criteria on an ongoing basis to ensure they remain fit for purpose, reflect evolving expectations and continue to serve our members' best interests.

The role of social impact

All investments have social impacts, whether positive or negative, intended or unintended. However, to date, our focus has been on understanding and managing – to the extent possible, given external factors which are beyond our control – social-related risks and opportunities, rather than defining specific social outcomes we want our investments to contribute to.

We nevertheless see growing merit in developing our thinking in this area. As our allocation to private markets continues to grow, we have greater opportunities to understand and influence the social outcomes associated with our investments, particularly in areas such as housing and infrastructure. At the same time, members have told us that they care not only about financial returns and the management of risk, but also about the broader effect their pension can have on people and communities.

Over the coming years, we intend to develop a more structured approach to social impact, including how we define it, the outcomes we may seek to contribute towards, and how these can be assessed in a robust and evidence-based way. We will reflect this work in future updates to this position paper.

Monitoring and reporting on progress

We will monitor progress to assess how effectively our approach to social factors is being implemented and whether it is delivering the outcomes we seek.

We will track progress across a number of areas:

- We will explore relevant metrics, engaging with emerging frameworks such as the Taskforce on Inequality and Social-related Financial Disclosures (TISFD), and improving our understanding of how social risks and outcomes manifest across our portfolio
- We will monitor and assess how well our fund managers meet our social expectations and mandate-specific objectives through our ESG manager monitoring framework, drawing on engagement with our managers and regular reporting on social key performance indicators (KPIs)
- We will track the progress made by companies against pre-established stewardship objectives and milestones set for them, through our internal engagement tracking system
- We will monitor how votes are cast on our behalf, particularly within our defined voting subset, and assess alignment with our own voting guidelines
- We will seek to monitor the effectiveness of our advocacy activities where possible, including our contributions to policy discussions, investor initiatives and the development of market standards, recognising that outcomes in this area are often long-term and influenced by multiple stakeholders

We will review our overall approach to social factors and our implementation annually. This review will be reported to the Nest Investment Committee and will inform updates to our priorities, activities and underlying framework. We will develop a set of social-related KPIs and management information to support this oversight.

We will continue to publicly report on the implementation and progress of our ambitions and commitments on an annual basis in our [Responsible Investment report](#).

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Data may be obtained from third-party weblinks, but these may not be error free and cannot be verified.