Investment

Nest Securities Class Actions Policy

March 2025

Introduction

Purpose

The purpose of this policy is to set out Nest's approach to dealing with securities class actions.

Securities class actions

A securities class action (SCA), or securities fraud class action, is a lawsuit filed by investors who bought or sold a company's publicly traded securities within a specific period of time (the 'class period') and suffered economic damage as a result of violations of securities laws.

As a large institutional shareholder, Nest is frequently a class member in securities class actions that seek to recover damages resulting from corporate fraud and misconduct

SCA's are a highly specialised form of class action because of evidentiary complexity, not litigation procedure. There are rarely tangible products to inspect or materials to analyse. Instead, plaintiffs need to refer to the free market with its rules and regulations, and factors affecting market price. The plaintiff must undertake extensive analysis to determine why and how corporate decisions were made and then assess how those decisions led to a loss of value and a right to recover damages. It is insufficient for the value in any share to simply decrease as market fluctuations are common and expected. A direct causal link between the act of misconduct and a decrease in share value is required.

Fiduciary duties are our primary legal responsibility to act in the best interests of our beneficiaries. This involves safeguarding our members assets, which include potential legal claims and recovery rights members may have as investors in public assets. Additionally, as Nest's AUM grow, so too will the total amount potentially lost due to acts of corporate misconduct, and so will the amount of recovered funds available from SCA litigations. It is a part of Nest's fiduciary duties to monitor and participate in relevant securities class actions.

Nest's Approach

Nest's goals for participation in SCA's include:

- Fulfilling Nest's fiduciary duties to its members by protecting assets and effectively managing claims as assets of the pension fund
- Maximizing claim recovery and reducing fees paid to obtain recoveries
- Fulfilling Nests responsible investment duties by deterring future fraud and corporate malfeasance to better protect fund assets.

A passive strategy

A passive strategy involves the automated participation and recovery for cases with low-risk profiles. It combines all class participants into a single litigation and binds all members to the judgement unless members opt out of the case by filing an exclusion. The 'proof of claim' process is largely administrative and outsourced to an external service provider; the custodian/financial services firm will use Nest's securities holding data to identify eligibility, file claims, and recover funds from SCA settlements.

A passive strategy is relatively easy to implement and Nest will not be involved in any court proceedings; the task of identifying eligible cases and filing claims will be undertaken by the selected service provider. A passive strategy requires significantly less resources and expertise to implement than an active approach, which would require Nest to hire a specialist law firm, build in house legal team, and be involved in legal proceedings which may last between 3 to 8 years. Generally passive strategies are also cheaper than active strategies.

Securities litigation is well established in the US, but less in UK pension funds and so carry's some reputational risk. A passive strategy will draw less attention to Nest and will less likely be characterised in an inaccurate way.

Segregated funds & pooled funds

Segregated mandates will make it easier to determine the quantity of shares held and losses suffered by Nest at the time of an act of misconduct as opposed to pooled funds.

Under pooled funds, the participation in SCA's is at the fund managers discretion or based on their stewardship policy.

Implementation – state street

Nest's custodial bank will be responsible for filing claims necessary to recover settlements in SCA cases in which Nest has suffered losses. The statement of work in the custodial agreement will set forth the claims filing procedures for the custodial bank to follow.

The custodial bank will submit or make available to Nest quarterly reports on the number of SCA filings and proceeds recovered.

The funds involved will not bear the costs of these procedures; any recoveries resulting from a settlement will – net of external costs – be transferred to the funds involved in the class action.

Conclusion

Nest:

- Will follow a passive approach to SCA and will not participate in active class actions (i.e. Nest will not initiate, act as a plaintiff or otherwise take an active role in a class action against an issuer)
- Any recoveries in the context of a SCA will be transferred, net of external costs, to the funds which are involved in the relevant class action.

This policy shall be reviewed by the Leadership Committee on a tri-annual basis (every 3 years) to ensure that it remains relevant and appropriate.

Version	Change	Date Implemented
1	Document created	03/08/2022
2	Document reviewed and unchanged	31/03/2025

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