



Nest's global voting and engagement policy

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About this document

Scope

Nest invests in shares of thousands of companies around the world on behalf of our members. These shares give us a say in how companies are run through voting rights and engagement. We believe sound corporate governance and companies that consider their impact on the society and the environment have a better chance of sustaining long-term economic success which supports better investment outcomes for our members. Our responsibilities as a global asset owner and signatory to the [Financial Reporting Council's Stewardship Code](#) means we execute stewardship across all of our assets globally in the interest of our members.

This document sets out our views and expectations of best practice corporate governance and sustainability reporting and our guiding principles for voting and engagement for all companies. It should be viewed as a supplement to our UK voting and engagement standard which sets out leading standards of practice for UK companies. Whilst we advocate that all companies we invest in adhere to progressive standards of behaviour and reporting we recognise that the regulatory framework and business culture in other regions may promote different standards requiring a more tailored approach to stewardship. At a minimum, we expect all companies we invest in to adhere to all applicable local regulations, listing standards and follow local best practice.

This document highlights our guiding principles on a range of areas within corporate governance and sustainability. It is informed by local market codes as well as global best practice, such as the [International Corporate Governance Network's \(ICGN\) Global Governance Principles](#).

Nest commits to reviewing its global voting and engagement principles annually to ensure our research, viewpoints and regulatory changes are factored into the way we vote and engage with our investee companies.

Who is this document for?

The main audiences for this document are the companies Nest invests in and the fund managers we work with. The document sets out expectations to company directors on how Nest expects them to be structured and behave and we use it to engage with our fund managers on the issues important to Nest and our members. It may also be of interest to our members, stakeholders, and employers with a detailed interest in the means by which Nest acts as a steward of its assets.

How Nest applies its voting policy

Nest takes its responsibilities as an asset owner seriously. Currently we invest in segregated and pooled funds managed by external managers. As clients and long-term partners, we work closely with our fund managers to help support good corporate behaviour.

Our fund managers exercise our voting rights on our behalf in accordance with their own voting policies. Part of our procurement process for choosing fund managers involves ensuring their voting policies are sufficiently rigorous and voting decisions are executed thoughtfully.

Having our own policy enables Nest to document our position and expectations to our fund managers on good corporate behaviour. We use it to hold our fund managers to account on the decisions they make. It also helps us identify differences in how they vote to how we would vote on a particular issue. Having our own viewpoints in place and having healthy discussion and debate with our fund managers on voting helps us achieve better outcomes collectively.

We would always seek to vote and engage in the interest of our members and encourage our fund managers to consider our policy in their voting decisions. While our views will generally be aligned with our fund managers', there will be times we adopt a different approach on some areas. Where this is the case, we are able to override a select number of votes for our shares in the global developed and emerging markets companies. This means that we can have a direct say in our investee companies on matters we feel strongly about. Having a clearly articulated voting and engagement policy also support Nest in participating in the wider debates on markets and corporate behaviour.

Global voting guidelines

Corporate leadership

Principle	Voting/engagement guideline
The Board's role and responsibilities	
<p>The Board is responsible for the long-term mission and strategy of the company. We expect the Board to act in the long-term interests of the company and its shareholder and other stakeholders.</p> <p>We expect non-executive directors to look beyond day-to-day issues and provide independent and balanced advice.</p>	<p>We may vote against the re-election of the Chair where there is limited evidence of a board culture that facilitates effective discharge of non-executive duties.</p> <p>We may vote against the re-election of one or more non-executive directors where the board fails to appropriately mitigate and respond to significant company events.</p> <p>We may vote against the discharge of the directors if there are legal concerns or ongoing litigation.</p>
Director independence	
<p>We expect to find at least a third of the board comprising independent non-executive directors in all markets, and at least half in most developed markets¹.</p> <p>In markets where a dual-board system is in place, we support the adoption of the committee system and a supervisory board that is at least 50% independent.</p> <p>We consider it best practice for the non-executive directors to meet without executive directors on a regular basis.</p>	<p>We may vote against the re-election of the Chair, chair of the nomination committee or other board members where the percentage of independent directors on the Board comprises less than 33% in all markets and 50% in developed markets (excluding Japan and Hong Kong).</p> <p>We consider non-executive directors to be non-independent if they:</p> <ul style="list-style-type: none"> › Have been previously employed as an executive officer of the company and there has not been a cooling off period of at least two years › Currently provide professional services or have a material transactional relationship › Receive remuneration from the company in addition to their director's fee › Have close family ties with any of the company's senior management › Hold cross-directorships › Are a significant shareholder › Have been on the board for more than 15 years, or longer than stipulated by local market practice.
<p>We expect the Board to appoint an independent, non-executive director as Chair. We also expect boards to appoint a Lead or Senior Independent Director. We do not expect to find combined CEO/Chair roles without good reason and do not usually expect to see a retiring CEO succeed to become Chair.</p>	<p>Where the Chair or the Lead Independent Director do not meet our criteria for independence, we will generally vote against their (re)-election. This includes the appointment of a retiring CEO as Chair of the board unless the company has set out a convincing rationale in the annual report, and there is a sufficient cooling off period of at least two years.</p>

¹ Our definition of developed markets includes Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Luxemburg, Netherlands, New Zealand, Norway, Poland, Portugal, Singapore, South Korea, Spain, Sweden, Switzerland, United Kingdom, and United States.

Principle	Voting/engagement guideline
	<p>We may vote against the re-election of the chair of the nomination committee and/or the individual in question if the positions of Chair and CEO are combined without good reason. In markets where the combination of these roles is very common such as the US, we may support the re-election where there is evidence of a truly independent Lead Director.</p>

Composition and appointment

<p>We support a three-committee structure of nomination, audit and remuneration committee and a fully independent audit and remuneration committee. We expect there to be at least one named financial expert on the audit committee.</p>	<p>Where the audit or the remuneration committee are not fully independent, we may vote against the Chair of the respective committee and any committee members standing for election.</p> <p>We may vote against the Chair of the audit committee if there is no named financial expert on the audit committee.</p>
<p>The purpose, priorities and skill contribution of each director should be publicly disclosed and clear to shareholders. We welcome boards conducting a regular self-assessment and an independent evaluation.</p> <p>The nominations committee should ensure that there is a diverse pipeline of candidates suitable for board and senior management positions.</p>	<p>We may vote against the appointment or re-election of any director where we doubt their capacity for focus, contribution, or where the appointment seems not to clearly meet a skill set need.</p> <p>We will vote against the appoint of any director where the company has disclosed insufficient biographical information.</p> <p>We may vote against re-election of the chair of the nomination committee or other board members where we doubt the effectiveness of the board's overall composition.</p> <p>We may vote against re-election of chair of the nominations committee if there is no indication of momentum or progress to increase diversity on the board where it is needed.</p>
<p>Boards should satisfy themselves that plans are in place for orderly succession for appointments to the board and to senior management.</p>	<p>We will vote against the chair of the nominations committee and Chair if an appropriate succession plan has not been put forward at the request of shareholders.</p>

Director re-election and commitment

<p>We favour annual elections for all directors and expect directors to stand for election at least once every three years.</p> <p>We favour individual director elections over slate elections.²</p>	<p>We will vote against the Chair or members of the nomination committee standing for re-election when the gap between directors' re-election is over 36 months.</p> <p>We will generally vote against proposals to classify the board.³</p> <p>Where directors are nominated through alternative slates, we will generally vote for the re-election of</p>
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² In these elections, shareholders cannot vote for individual directors but instead vote for a bundled "slate" of investors. This approach is common in some markets such as Italy.

³ A classified (sometimes called staggered) board is a structure where there are different classes of directors with different term lengths.

Principle	Voting/engagement guideline
<p>We expect all directors to be able to allocate significant time to their roles in order to be able to ask challenging questions based on a sound knowledge of the business. This includes limiting the number of outside appointments and making sufficient time to attend board meetings.</p>	<p>existing directors provided the board meets our criteria for independence. Where this is not the case, we will generally support the list with the highest number of independent nominees.</p> <p>We generally do not support non-executive directors taking on more than four directorships in total or two chairmanships at listed companies and full-time executive directors taking on a chairmanship or more than two non-executive directorships.</p> <p>We will generally vote against the re-election of directors who have attended fewer than 75% of meetings in the past year without good justification.</p>
Diversity	
<p>We support boards that have a company-wide diversity policy or demonstrate how the board diversity policy filters across the workforce by setting the ‘tone from the top’.</p> <p>We support further reporting on all aspects of diversity of the board and wider company.</p>	<p>We may vote against the re-election of the Chair of the nomination committee if a company fails to disclose a meaningful policy on board diversity if this is specified by the local market code.</p> <p>We will engage with companies to encourage further reporting on all forms of diversity throughout the company.</p>
<p>We expect board to appoint at least one female director and adhere to local market codes for gender representation at board level. As the U.S has not adopted a corporate governance code at the federal level (only state level), we expect to see at least 30% of the members on a corporate board to be women. Additionally, for companies in the S&P 500 we expect there to be at least one board member from an ethnic minority background.</p>	<p>We may vote against the re-election of the Chair and chair of the nomination committee if a company has no female directors on the board or, where applicable, the number of female directors is below a threshold recommended by the relevant national corporate governance code or specified within this policy.</p>

Risk management and sustainability

Principle	Voting/engagement guideline
Risk oversight	
<p>Boards should explain to shareholders how they approach overseeing and managing risks.</p> <p>Boards should confirm in the annual report they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. This should include environmental, social and governance risks.</p>	<p>We may not support the annual report where the most relevant principal risks are not being disclosed.</p> <p>We may also vote against members of the risk and audit committee where there is evidence of a lack of risk oversight from the board. Where the company has not established a risk and audit committee, we may vote against the report & accounts.</p>
<p>The UN Global Compact (UNGC) principles are a set of 10 core values derived from international treaties and conventions that protect the rights and interests of people and planet that guide companies to operate responsibly and sustainably in the areas of human rights, labour, the environment, and anti-corruption.</p>	<p>We expect companies to comply with the UN Global compact principles and Nest’s UNGC policy. We will engage with companies on the watchlist for breaching the UNGC principles.</p>
Sustainability reporting	
<p>We expect the annual report to include details of material sustainability risks and how these are managed and incorporated into strategic reporting. It is important this information is publicly accessible and independently verified.</p> <p>Where a risk has materialised during the reporting year, the board should communicate how the company is responding.</p>	<p>We are unlikely to support a resolution to receive the report and accounts where we believe that a company does not disclose information in relation to environmental, employment, social and community risks. This should include the process for assessing, addressing, measuring, and monitoring the present and ongoing nature and development of such risks.</p>
Climate change	
<p>We believe that climate change is a systemic risk that affects the whole economy. We have therefore developed a climate change risk policy that sets an ambition to limit warming to 1.5C by reaching net zero emissions by 2050 or sooner. We expect companies in all sectors to disclose how they are managing their contribution to and impacts from climate change. We also encourage all companies to disclose how they are transitioning their business models in line with the goals of the Paris Agreement.</p> <p>We set out our expectations for companies in high-impact in our sector-specific policies at the end of this document.</p> <p>We expect the board to take ownership for climate risk, for example by the risk committee or sustainability committee.</p>	<p>We will not support a resolution to receive the annual report and accounts and will vote against the re-election of the Chair if the company has not disclosed its Scope 1 and 2 GHG emissions.</p> <p>Where a company does not have a strategy for addressing climate change risks and/or where it has not reported on progress, we may vote against the annual report and accounts, the Chair of the sustainability committee (where applicable), or the Chair of the Board.</p> <p>We will support all shareholder resolutions, where reasonable, that call on companies to disclose more information on how they manage climate change risks.</p>
<p>We welcome boards voluntarily putting forward “Say-on-climate” advisory resolutions that seek shareholder approval of the organisation’s climate transition plan.</p>	<p>We will review say on climate votes on a case-by-case basis. At a minimum, we expect to see the following:</p> <ul style="list-style-type: none"> › A commitment to net zero emissions by 2050

Principle	Voting/engagement guideline
<p>We prefer to see climate transition plans put to a shareholder vote once a year, and at minimum once every three years.</p>	<ul style="list-style-type: none"> › A description of the governance and accountability mechanisms › Disclosure of scope 1,2 and material scope 3 emissions › Short-, medium- and long-term targets and milestones, including for scope 1, 2, and material scope 3 emissions that are in line with an appropriate scientific pathway for the sector › A description of how targets link to business planning, including capital allocation decisions › A description of the wider environmental and social impacts of the transition plan. <p>Where companies' transition plans do not meet the criteria above, we will vote against the plan.</p> <p>We may not support a transition plan where the company has not committed to put forward an update within this timeframe.</p>
<p>We expect companies to be transparent about their lobbying activities with regards to climate change and to regularly assess whether the climate change activities of the industry bodies they are part of are aligned with their own climate change policies.</p>	<p>We may vote against the directors where we believe that a company's lobbying activities or activities as part of industry bodies are misaligned with their public position on climate change.</p> <p>We will generally support shareholder resolutions that ask companies to prepare a report on their lobbying activities.</p>

Natural capital	
<p>Natural capital is an economic term for different stocks of natural assets which include the air, water, forests, soil, and all living things. Together they provide a wide range of ecosystem services which make human life possible. The loss of natural capital is a systematic risk that will put a drag on economic growth and portfolio returns. We encourage high risk companies to disclose meaningful and consistent data on the impact and vulnerabilities to natural capital loss.</p> <p>Natural capital loss and climate change are closely interlinked. The loss of natural capital is likely to increase the severity and rate of climate change which in turn leads to more natural capital loss.</p> <p>We expect investee companies to consider and minimise where possible their impacts on natural capital loss.</p>	<p>We may engage with companies whose operations or products drive natural capital loss through investor coalitions such as Nature Action 100 which sets out expectations related to company ambition, assessment, targets, implementation, governance, and engagement.</p> <p>We may vote against the Chair of the sustainability committee, Chair of the risk committee, or Chair of the board where "Do No Significant Harm" to the environment criteria has been breached as defined EU taxonomy framework⁴ (the UK green taxonomy definition will be adopted once it is released).</p> <p>We will generally support shareholder resolutions that aim to improve reporting and reduce impact and dependencies on natural capital.</p>

⁴ Activities defined as "DNSH" by the **European Securities and Markets authority** do not significantly harm any of the six environmental objectives set out in the EU taxonomy framework (climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems)

Principle	Voting/engagement guideline
Cyber security	
<p>We support boards that take a proactive stance on cyber-security and have discussions at board level.</p> <p>We expect company disclosure to provide assurance that appropriate policies are in place to prevent, detect and respond to cyber security within the company and its supply chain.</p>	<p>We may engage with companies where we have concerns about their cyber security programs and operational resilience to cyberattacks.</p> <p>Where cyberattacks have occurred and boards were found not to have acted on information and/or had no relevant expertise we will vote against the Chair and chair of the audit committees.</p>
Workforce	
<p>The people who constitute a company’s workforce are in many cases a firm’s most valuable asset. There is evidence that well engaged, stable, and trained workforces operating in a supportive environment are likely to be more committed and productive which drives long-term business success.</p> <p>We support companies that provide disclosure on their workforces.</p> <p>We are supportive of the Workforce Disclosure Initiative (WDI) that asks companies to disclose information about how they manage risks and harness opportunities in their direct workforce and supply chains. Reporting on the following metrics provides investors with an understanding on how a company is maximising the long-term value of its human capital:</p> <ul style="list-style-type: none"> › the composition of the workforce › the stability of the workforce › the skills and capabilities of the workforce › investment in training and development › employee engagement › health and safety, including both physical and mental wellbeing. 	<p>Where we have concerns with a company's reporting on its workforce we may vote against the annual report and accounts.</p>
Charitable and political donations	
<p>In general, we do not support companies making donations to political parties or political candidates.</p>	<p>We will normally vote against any authority that would allow directors to make donations to political parties.</p>
<p>However, we do recognise there are legitimate circumstances where it may be in the interests of a company and its shareholders to support political organisations concerned with policy review and law reform, or sector-specific special interest groups.</p>	<p>We will consider resolutions that seek authority to make donations to such bodies on a case-by-case basis</p>
<p>We believe companies should ask their shareholders to approve donations regardless of jurisdiction.</p> <p>We generally support charitable donations based on there being appropriate justification, including financial soundness of the arrangement.</p>	<p>We will consider voting against the report and accounts where shareholders’ funds have been used to make political donations without shareholder approval.</p> <p>We generally support shareholder proposals asking for enhanced disclosure on political expenditure or lobbying.</p>

Principle	Voting/engagement guideline
Tax management	
<p>We support companies committed to tax transparency by following the GRI 207 tax reporting standards and presenting to investors and stakeholders a consistent, complete, and accurate profile about their tax operations around the world particularly in jurisdictions with high financial secrecy as highlighted by the Tax Justice Network.</p>	<p>We generally do not support proposals that seek reincorporation, or a change of domicile based on lowering investor protection, paying reasonable taxes, or to protect against being taken over.</p> <p>We may not support large business restructurings, mergers and acquisitions where tax planning is a key driver.</p>
<p>We do not support boards where tax services form a significant proportion of non-audit fees. We also look out for boards that treat tax as a potential or significant risk for the company.</p>	<p>Where a company’s external auditor also provides services in relation to tax and the value of such services is of a significant proportion of the audit fee (25%), we will vote against the audit committee chair.</p>
Bribery and corruption	
<p>Sound risk management processes are vital for anti-corruption compliance policies to operate effectively. We also expect the remuneration committee to include bribery and corruption in the malus and clawback policy.</p>	<p>Where a board failed to act on information available to it at the time, and bribery occurred as a consequence, we will vote against any board members who sat on the board at the time the bribery occurred.</p>

Reporting and audit

Principle	Outcome/voting guideline
Informative and future-orientated reporting	
<p>We believe the strategic report (or equivalent) within the annual report needs to represent:</p> <ul style="list-style-type: none"> › a balanced and comprehensive analysis of the company's performance and prospects › a forward-looking outlook › an informative description of principal risks and uncertainties facing the business › analysis using appropriate financial and non-financial key performance indicators. 	<p>We will vote against the resolution to approve the report and accounts where reporting does not provide accurate or clear guidance on the principal risks and uncertainties, or where the accounts have not been audited or the auditor report is not disclosed.</p> <p>We may vote against resolutions to approve the report and accounts where we hold concerns about the company's internal controls including:</p> <ul style="list-style-type: none"> › where discussions of internal controls do not include appropriate levels of detail and substantiation. › where the auditors have highlighted fundamental uncertainties with the accounts or other areas of concern.
External audit independence	
<p>We expect companies to appoint an independent external auditor to review the annual accounts. The financial incentives faced by the external auditor need to be managed so as not to influence their independence.</p>	<p>We may vote against appointment of the auditors and the re-election of the chair of the audit committee where we doubt the independence of the external auditor.</p>
Competition and re-tendering	
<p>We believe in the re-tendering of the external audit contract regularly based on the 'comply or explain' approach in order to support robust standards. We encourage companies to look beyond the 'big four' when tendering for audit services.</p>	<p>We may not support the re-election of the external auditor they have been in place for more than 20 years or 24 years where there are joint auditors in place.</p>
Audit fees	
<p>We expect companies to disclose in the annual report a breakdown of audit and non-audit related fees paid to the external auditors during the year. We will have significant concerns about external auditor objectivity where there is a high proportion of non-audit fees or the absolute financial value of non-audit fees is significant.</p>	<p>We generally do not support resolutions on auditor re-appointments where non-audit fees exceed 70% of audit fees paid to an external auditor in any 12-month period without a compelling rationale.</p>
Audit committee report	
<p>We welcome a more critical and transparent approach that includes judgement, assessments and key decisions taken.</p>	<p>We are likely to vote against the re-election of the chair of the audit committee where the audit committee report fails to provide meaningful information to assist shareholders understand how the audit committee operates and the issues it addresses.</p>

Reward

Principle	Outcome/voting guideline
Say-on-pay	
<p>We support companies tabling an annual vote on executive remuneration.</p>	<p>Where there is a no annual vote on executive remuneration, we may vote against the approval of executive director fees or the re-election of the Chair of the remuneration committee.</p>
Pay in context	
<p>We expect the remuneration committee to consider executive remuneration in the context of broader workforce pay and be mindful of pay levels equivalent sectors, industries, and wider public concerns.</p> <p>We also support companies voluntarily disclosing how people from different ethnic backgrounds are paid.</p>	<p>We may vote against the annual remuneration report if the board does not consider overall worker pay when setting pay for executive directors, such as preferential pension treatment or large executive salary increase without good justification.</p>
Disclosure	
<p>We expect to see individualised disclosure of remuneration to allow shareholders to assess the alignment of pay with performance.</p>	<p>We generally do not support remuneration resolutions if individualised disclosure is not available.</p>
Structure and components	
<p>While we expect companies to develop their remuneration systems to suit the needs of the business, we expect executive remuneration to contain an appropriate level of fixed pay as well as both short- and long-term variable pay awards. We generally do not expect non-executive directors to receive variable pay awards.</p> <p>Where the remuneration structure differs significantly from local market practice the remuneration report should explain what this is achieving and why this is needed.</p> <p>We expect the board to disclose its policy on executive share ownership requirements and post-departure shareholding requirements.</p>	<p>We may vote against the re-election of the chair of the remuneration committee where there are a significant number of incentive schemes in operation resulting in an opaque incentive structure.</p> <p>We will generally vote against remuneration if NEDs can receive variable pay or participate in a share plan.</p> <p>We will vote against remuneration where the structure differs significantly to local market practice without reasonable explanation.</p>
Performance-related pay	
<p>Where Long Term Incentive Plans (LTIPs) are used we expect them to reflect sustained value creation for the company in the long term (at least five years).</p> <p>We would prefer to see reward metrics linked to key performance indicators (KPIs) that help executives meet agreed corporate strategic objectives, business aims and sustainability goals which link to long-term value creation. These would align executive director behaviour with real performance rather than share price and similar measures, which may encourage excessive risk taking or poor decision making.</p>	<p>We will vote against remuneration-related resolutions where we consider variable pay to be misaligned with performance and long-term interests of shareholders or we have concerns about the design of the awards. This could include a lack of robust metrics, a significant proportion of non-performance awards, awarding of discretionary awards, excessive severance provisions, lack of clawback provisions or a general lack of disclosure or an unnecessarily complex structure.</p>

Capital

Principle	Voting/engagement guideline
Buying own shares	
We generally support proposals to return cash to shareholders that we believe enhance net asset value.	We generally support buy-back proposals that do not exceed 10% of the issued share capital and where the number of months for which the authority is sought does not exceed 36 months.
Increase in share capital or preferred stock	
Share issuance can dilute the holdings of existing shareholders. We support companies issuing shares on a pre-emptive basis to existing shareholders in proportion to their existing holding. Given the complexities of issuing shares on a pre-emptive basis, we generally support companies seeking authority to issue shares with the disapplication of pre-emption rights subject to provisions protecting the rights of existing shareholders.	<p>We generally support share capital proposals on a pre-emptive basis. We also usually approve authorities to issue shares with the disapplication of pre-emption rights except where:</p> <ul style="list-style-type: none"> › The number of months for which the authority is sought exceeds 36. › The authority sought exceeds 50% of the issued share capital. › The authority (disapplication) sought exceeds 10% of the issued share capital.
Dividends	
<p>We will generally support companies distributing a dividend to shareholders, unless we have concerns about the dividend cover or pay-out ratio.</p> <p>We believe in resolutions to approve the final dividend regardless of size.</p>	<p>We will generally support resolutions to distribute a dividend unless:</p> <ul style="list-style-type: none"> › Ordinary dividends as a percentage of profits exceeds 100% › The dividend pay-out ratio is lower than 25% › There is no cash alternative when a scrip dividend is proposed <p>Where a company has paid a final dividend without seeking shareholder approval we will vote against the report and accounts.</p> <p>We may also vote against the report and accounts if we consider disclosure to be insufficient.</p>
Related party transactions	
<p>We expect related party transactions to be made on terms equivalent to those that would prevail in an arm's length transaction</p> <p>We expect related party transactions to be overseen and reviewed by the Board with annual disclosure of significant transactions.</p>	We will consider related party transactions on a case-by-case basis but vote against where there is evidence of potential abusive related party transactions.
Anti-takeover provisions	
We do not expect companies to introduce antitakeover provisions.	We will generally vote against anti-takeover provisions such as "poison pill" arrangements.

Shareholder rights

Principle	Voting/engagement guideline
Share classes	
We support the 'one share, one vote' standard. Where companies have more than one share class, we expect to see a clear rationale for this, as well as additional protections for minority shareholders. We encourage companies to regularly review their share classes.	We may not support the (re)-election of board directors if the company has implemented a multi-class capital structure without a reasonable, time-based sunset provision. ⁵ We will generally vote against proposals to create a new class of common stock where this deviates from the one share, one vote standard.
We favour the democratic election of directors over cumulative voting. ⁶	We will generally support proposals seeking to remove cumulative voting from director elections. In markets where cumulative voting is used on director elections, we will cumulate votes behind independent directors only and vote against the non-independent directors.
We are not in favour of shareholder loyalty programmes, such as loyalty shares with tenure voting.	
Major decisions	
We expect shareholders to have the right to vote on major decisions which affect their interest in the company.	We will vote against proposals that negatively impact shareholders' rights to vote on major decisions, such as: <ul style="list-style-type: none"> › proposals that give the board exclusive authority to amend the company's bylaws. › bundled resolutions that seek approval for two or more unrelated issues. › resolutions allowing the conduct of any other business.
We support simple majority voting except at controlled companies where simple majority voting may disadvantage minority shareholders.	We will generally support the removal of supermajority voting provisions at non-controlled companies.
Shareholder proposals	
We value the right of shareholders to submit proposals to company general meetings highly. We generally support shareholder proposals that enhance shareholders' rights, are in the economic interests of shareholders, or support sustainability and good governance.	We will review proposals on a case-by-case basis and in accordance with our policy. We are unlikely to support proposals on issues we believe directors or workers have already addressed, are addressing, and where the direction of change is already positive.

⁵ A sunset provision is a clause that states that the arrangement will expire by a certain date. It is often used by companies during the initial public offering and allows for the transition to corporate governance standards for listed companies.

⁶ Cumulative voting allocates voting rights to shareholders according to the number of shares they hold multiplied by the number of directors to be elected. It allows shareholders to cast their votes across directors or cumulate them behind one or several candidates. It is common in some markets such as Russia.

Principle	Voting/engagement guideline
<p>We are unlikely to support proposals that are not relevant to the ongoing success of the company or for performing at an appropriate level.</p>	
<p>Meetings</p>	
<p>General meetings are an important opportunity for shareholders to engage with the board. They should be efficiently, democratically, and securely facilitated to enable constructive interactivity between the board and shareholders. We expect the board to allow for shareholders to ask questions or make comments to the board and management.</p>	
<p>We expect clear and timely communication of shareholder meetings. This includes ensuring sufficient notice of the meeting taking place, the agenda, and the date by which shareholders should cast their voting instructions.</p>	<p>We may vote against the agenda if the meeting materials are not published in sufficient time ahead of the meeting.</p>
<p>We believe that physical meetings provide an important forum for both institutional and retail shareholders to engage with the board and senior executives and hold them publicly accountable. Broadcasting meetings virtually can increase shareholder access, but this should complement physical meetings rather than replace them.</p>	<p>We are unlikely to support proposals to hold virtual-only meetings unless this is due to exceptional circumstances such as the coronavirus pandemic.</p>
<p>Additional shareholder rights</p>	
<p>We oppose company proposals that seek to limit the rights of shareholders, including the exclusive forum provisions to discourage shareholder derivative claims.</p>	<p>We will generally vote against proposals that seek to limit shareholder rights and support proposals that seek to provide additional rights to shareholders.</p>
<p>We expect companies to apply provisions to allow shareholders to nominate directors to the board.</p>	<p>We will generally support resolutions allowing a shareholder or a group of shareholders owning in aggregate 3% of the shares for at least 3 years to nominate up to 20% of the board.</p>
<p>We support the rights of shareholders to call a special meeting and act by written consent subject to an appropriate ownership threshold of 10%.</p>	<p>We will generally support proposals introducing the right to act by written consent or to allow shareholders owning at least 10% of the shares to call special meetings. We will also generally support resolutions to lower the threshold if it does not fall below 10%.</p>

Sector specific voting guidelines

We expect all companies in which we're invested to adhere to high standards of business practice. However, the level of ESG risk, business conduct, and reputational risk can vary across sectors and the type of issues we address through our voting and engagement approach may be more applicable to some sectors than others.

We have therefore developed sector specific principles and voting guidelines where we have different or more stringent expectations on ESG risk and performance for companies in certain sectors.

Banking sector

Principle	Voting/engagement guideline
<p>Climate Change</p> <p>Through their lending, securitisation, underwriting and advisory services, banks are essential to support real-world decarbonisation and meet the goals of the Paris Agreement. We expect banks to disclose how they are managing their contribution to and impacts from climate change and how they are transitioning their business models in line with the goals of the Paris Agreement. We use the IIGCC Net Zero Standard for Banks in our engagement and to set expectations for companies.</p> <p>We welcome banks putting forward their climate strategies for an advisory vote at their annual general meetings.</p>	<p>We engage with the banks to encourage them to factor in climate-related risk in their financing activities.</p> <p>We will vote against the Chair of the sustainability committee, the Chair of the audit committee, or the Chair of the board where companies have not disclosed a strategy to manage climate change risks.</p> <p>We will not support banks' Say-on-Climate resolutions where their strategies do not include the following elements:</p> <ul style="list-style-type: none"> › A commitment to net zero emissions by 2050 › A description of the governance and accountability mechanisms › Disclosure of financed, facilitated and operational scope 1,2 and material scope 3 emissions › Short-, medium- and long-term targets and milestones, including targets for reducing financed and facilitated emissions and increasing financing for climate solutions › A description of how targets link to business planning, including capital allocation decisions › A policy on fossil fuel financing, including a commitment to phase out financing for thermal coal by 2030 in OECD countries and 2040 globally › A commitment to align lobbying and policy engagement activities with the goals of the Paris Agreement › A description of the wider environmental and social impacts of the transition plan. <p>We will generally support shareholder resolutions asking banks to cease lending and underwriting for new fossil fuel infrastructure.</p>

Carbon-intensive sectors

Principle	Voting/engagement guideline
Climate risk management and reporting	
<p>While climate change is a systemic risk that will impact all companies, highly carbon intensive industries such as energy, utilities, materials, transport, and agriculture are particularly exposed to the physical risks of climate change and risks from the transition to a low-carbon economy. We expect these companies to disclose the climate change risks that are material to their business model, a strategy to manage these risks and set short-, medium-, and long-term targets to address them.</p>	<p>We will engage with companies on how they are transitioning to meet the goals of the Paris Agreement and how they will manage the impact the transition will have on their stakeholders, employees, and the wider community. We will do this through direct engagement as an investor and a partner, and through our participation in coalitions such as Climate Action 100+ and the Net Zero Engagement Initiative.</p>
<p>We have therefore set some additional expectations for companies in sectors that are most exposed to climate change risks.</p>	<p>If after a period of engagement (usually between one and three years) companies have not made enough progress on reporting a coherent and robust strategy on climate risk mitigation including short- and medium-term targets, we will vote against the Chair of the sustainability committee, the Chair of the audit committee, or Chair of the board. Where companies still do not make enough progress after we have taken voting action, we may consider filing a shareholder proposal or excluding the company from our funds.</p>
<p>We expect companies in sectors that are most exposed to climate change to demonstrate sufficient climate change expertise on the Board.</p>	<p>We will generally support shareholder proposals that require a company to report information concerning their potential liability from operations that contribute to climate change or their strategy in reducing these GHG emissions with specific reduction targets.</p> <p>We will engage with companies to understand the Board's approach to overseeing and developing the company's climate change strategy.</p> <p>Where we have concerns that a company does not have sufficient experience and expertise in managing climate change risks, we may vote against the Chair of the Nominations Committee.</p>
<p>Where climate change is a material business risk, we expect companies to incentivise their executives to work towards long-term decarbonisation through appropriate remuneration and welcome the use of specific climate change KPI such as GHG emissions reduction targets as part of executives' variable compensation packages.</p>	<p>We may vote against the executive remuneration policy and executive remuneration report if credible climate KPI's are not embedded within executive remuneration policies.</p>
<p>We expect companies in highly-carbon intensive sectors to have published a climate change strategy and/or transition plan.</p>	<p>We will vote against the Chair of the Sustainability Committee, the Chair of the Audit Committee, or the Chair of the Board where companies have not disclosed a strategy to manage climate change risks.</p>
<p>We use internal analysis as well as external third-party assessments, such as the Net Zero Company Benchmark and the Transition Pathway Initiative, to assess the quality of corporate transition plans.</p>	<p>We will generally vote against companies' transition plans if they do not include the following:</p>

Principle	Voting/engagement guideline
	<ul style="list-style-type: none"> › A commitment to net zero emissions by 2050 › A description of the governance and accountability mechanisms › Disclosure of scope 1,2 and material scope 3 emissions › Short-, medium- and long-term targets and milestones, including for scope 1, 2, and material scope 3 emissions that are in line with an appropriate scientific pathway for the sector › A description of how targets link to business planning, including capital allocation decisions › Disclosure of capital expenditures towards carbon-intensive business activities as well as climate solutions › A commitment to align lobbying and policy engagement activities with the goals of the Paris Agreement › A description of the wider environmental and social impacts of the transition plan. <p>For oil & gas companies, we will not support companies' transition plans where they have not committed to stop developing new oil and gas fields in line with the IEA's Net Zero Balanced Pathway scenario.</p> <p>In addition to voting against the plan, we may also vote against the Chair of the Sustainability Committee, the Chair of the Audit Committee, or the Chair of the Board where companies have not disclosed a strategy to manage climate change risks.</p>
<p>The just transition is the effective and equitable management of the positive and negative social and employment implications of climate action across the economy. The just transition is especially relevant for workers within carbon-intensive sectors as those companies and jobs will likely be the most negatively affected by a transition to a greener economy.</p>	<p>We are likely to support shareholder resolutions that support a just transition and may engage with companies to consider and prepare for a just transition.</p>
<p>We expect the Audit Committee to ensure that the financial impact of climate change risks and opportunities are reflected in accounting estimates or judgements.</p> <p>We also expect consistency in the discussion of climate change risks in the narrative section of the annual report and accounts and the financial statements.</p>	<p>We may vote against the Chair of the Audit Committee where climate change risks are not considered in the financial statements.</p> <p>We may vote against the re-election of the auditors where the auditors' report does not indicate how they have taken into account climate-related risks and opportunities in their review of the financial statements.</p>

Commodity-related sectors such as energy, mining, and agriculture

Principle	Voting/engagement guideline
ESG risk management and sustainability reporting	
<p>Commodity companies are operating in sectors with significant ESG risks in parts of the world where regulation may be weak. We expect companies to minimise their business impacts on the communities and environments in which they are operating. We expect the annual report to include details of material sustainability risks and how these are managed and incorporated into strategic reporting. It is important this information is publicly accessible and independently verified.</p> <p>Where commodity companies are undergoing merger and acquisitions (M&A) we expect newly formed companies to have factored in climate risk management and have a well thought out strategy on how the business will transition to a low carbon economy.</p>	<p>We will not support a resolution to receive the report and accounts where we believe that a company does not disclose information in relation to environmental, employment, social and community risks. This should include the process for assessing, addressing, measuring, and monitoring the present and ongoing nature and development of such risks.</p> <p>If there is no information provided to investors on the potential climate risk or there is evidence that company's environmental performance will deteriorate resulting from M&A activity we may vote against the corporate action.</p>
<p>We expect all concerned companies to be compliant with the Global Industry Standard on Tailings Management. We expect operators to take responsibility and prioritise the safety of tailings (waste materials left after the target mineral is extracted) facilities, through all phases of a facility's lifecycle, including closure and post-closure.</p>	<p>We will engage with companies and vote against the re-election of the Chair and the audit committee where companies fail to comply with the Global Industry Standard on Tailings Management.</p>

Listed asset management firms

Principle	Voting/engagement guideline
The need for leading governance and sustainability practices in asset management firms	
<p>Listed asset management firms invest money in companies globally on behalf of their millions of clients. We expect these asset managers to hold companies to account on a range of ESG issues through their voting and engagement activities. Given asset management firms' global client base and their ability to positively drive change in companies we expect them to adhere to market leading standards of corporate governance and not hide behind weaker regulatory regimes within their jurisdictions. Such standards may include separation of CEO and Chair, auditor rotation, restrained executive pay and their approach to managing climate change risks and opportunities.</p>	<p>We will vote against the re-election of directors, auditor, or executive pay policy if listed asset managers are not adhering to leading standards of practice on a range of environmental, social, or governance issues.</p> <p>We will engage with asset managers if we have concerns about their willingness to hold companies to account on ESG issues through high quality voting and engagement activities.</p>

Digital, technology, and financial companies

Principle	Voting/engagement guideline
<p>Keeping businesses safe from cyber crime</p>	
<p>A primary objective of the UK Government's National Cyber Security Strategy is to make the UK a safer place to conduct business online. Going digital has brought wide ranging benefits to society, but cybercrime is a business that all companies are at risk from.</p> <p>The credentials of some companies - especially financial, customer, or contract data, are worth more than others, and therefore we expect some companies to have more preparedness than others.</p>	<p>We support companies in certain sectors like banking to go beyond Cyber Essentials certification and meet International Standards accreditation such as ISO27001</p> <p>We may vote against the Chair of the board of companies where the consequences from cybercrime are likely to be particularly severe and where there is no evidence that the board has deployed controls that an organisation needs to have in place to help defend against Internet-borne threats.</p> <p>We will engage with companies to adopt key recommendations by the “Ranking Digital Rights” organisation to improve digital rights corporate accountability.</p>
<p>We expect companies that host user generated content to manage the dissemination of harmful content, make clear in their terms and conditions what is and is not acceptable on their site, and to remove illegal content. We also expect companies to protect users’ freedom of expression and privacy rights.</p>	



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