General Counsel

Nest Corporation Audit Committee
Terms of Reference

The Nest Corporation Governing Body (hereinafter 'Board') executes the functions[1] set out in the Pensions Act 2008 and the Nest Order and Rules. It cannot delegate matters which set the strategic direction of the organisation; the overall accountability for the trust; decisions in respect of the distribution of trust assets; the setting of investment strategy; and, matters that are vital for the overall security of the scheme assets. It may however delegate processes such as research, the consideration of issues and making of recommendations and the execution of approved decisions to competent persons.

The Audit Committee (the 'Committee') is a Committee of the Board, from which it derives its authority, and to which it shall regularly report. The primary role of the Audit Committee is to monitor the integrity of the financial statements for Nest Corporation, Nest Scheme, and any associated subsidiaries, and the associated activities set out in the table below. The Committee is also responsible for reporting to the Board on the adequacy and quality of the overall assurance received by the Board from all sources and the extent of the assurance gap, if any. The Committee shall have oversight of Nest Corporation, the Nest Scheme and any subsidiary undertakings as appropriate.

1 Role and Purpose

The Committee's key role is to:

1.1 review the integrity of the financial statements for Nest Corporation and for the Nest Scheme, and any subsidiary entities;

1.2 oversee financial management and reporting, and provide assurance on budgetary control;

1.3 review and consider the effectiveness of Nest Corporation's internal controls including any associated subsidiaries as well as the Nest Scheme;

1.4 monitor and review the effectiveness of the internal auditors; and

1.5 monitor and review the effectiveness of the external auditors used for the Scheme, Corporation, the Nest Invest CASS audit and the AAF audit.

2 Responsibilities

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

Annual Report and Accounts

2.1 REVIEW the integrity and completeness of the financial statements within the Annual Report and Accounts for Nest Corporation, the Nest Scheme, and any related subsidiaries of Nest.

[1] Not a defined term but generally understood to include powers and duties.

2.2 REVIEW the content of the Annual Report and Accounts for Nest Corporation, the Nest Scheme and any related subsidiary undertakings of Nest, in order to advise that they are they are fair, balanced and understandable, and provide the information necessary for key stakeholders to assess performance; and REVIEW and APPROVE the annual going concern assessments.

2.3 RECOMMEND to the Board the approval of the Nest Corporation and Nest Scheme Annual Report and Accounts and associated Letters of Representation to the external auditors.

2.4 REVIEW whether appropriate accounting standards have been adopted and followed in the preparation of the financial statements, including regularity of expenditure and Managing Public Money guidance.

2.5 APPROVE any significant changes to either Nest Corporation or Nest Scheme accounting policies.

2.6 REVIEW any other statements requiring Board approval which contain financial information first, such as the Master Trust reserves report and the annual business plan, where to carry out a review prior to board approval would be practicable and consistent with any prompt reporting requirements

2.7 If applicable, REVIEW annually the report on lessons learned from the Annual Report and Accounts process and agree any changes to the process for the following year.

2.8 REVIEW and RECOMMEND to the Nest Invest Board the Nest Invest Ltd. Annual Report and Accounts and Letter of Representation.

Finance

2.9 REVIEW financial reporting of actual spend versus budget and associated deliverables against the performance delivery framework as required on a schedule agreed by the executive.

2.10 Review and approve the process to be followed for the annual business planning exercise. Review the interim results of the business planning exercise before these are shared with the Board.

2.11 Provide assurance to the Board throughout the budget planning process.

2.12 Where relevant and appropriate, REVIEW reports on spending susceptible to having a reputational impact for Nest (this includes but is not limited to consultancy costs and costs relating to staff events), on an ad-hoc basis as they arise.

2.13 Consider reports on tax arrangements as appropriate.

Internal Audit

2.14 RECOMMEND to the Board: the appointment, re-appointment or removal of Nest Corporation, Nest Scheme and any Nest subsidiary Internal Auditors, including fees, and terms and conditions

2.15 APPROVE the Nest Corporation and Nest Scheme annual internal audit coverage, internal audit plans and internal audit charters, taking into account coverage provided by the second line assurance plan and the external audit plans.

2.16 RECOMMEND to the Executive Committee and where necessary to the Board: any additional resource requirements to deliver agreed internal audit objectives

2.17 REVIEW audit reports and updates from the internal auditors, including management responses and implementation of recommendations.

2.18 REVIEW at least annually the role and effectiveness of the internal auditors in the overall context of Nest's risk management system and the work of compliance, finance and the external auditor.

2.19 REVIEW the internal audit remit and any issues arising from audits carried out and meet at least annually with the Head of Internal Audit without Nest Executive Committee or staff members present. From time and time and when appropriate, REVIEW whether an independent, third party review of Internal Audit processes is prudent.

2.20 REVIEW arrangements to ensure the Head of Internal Audit has direct access to the Board Chair and to the Committee Chair, providing independence from the Executive Committee and accountability to the Committee.

2.21 APPROVE the Nest non-audit services policies for internal and external auditors in order to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

2.22 Review and monitor fees paid to internal and external auditors for non-audit work on an annual basis.

External Audit

2.23 APPROVE the appointment, re-appointment or removal of Nest Scheme external auditors, ensuring that the contract is put out to tender periodically in line with the requirements of Managing Public Money, Procurement regulations and the Auditing Practices Board's Ethical Standard to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms. APPROVE the selection process for the appointment of the Nest Scheme external auditors.

2.24 APPROVE the fee levels proposed by the Nest Corporation, Nest Scheme and any Nest subsidiary external auditors, ensuring that these are appropriate to enable an effective and high-quality audit to be conducted and oversee the relationship with the external auditors.

2.25 REVIEW the findings of the external audits for Nest Corporation and any associated subsidiaries and for the Nest Scheme, including: discussion on any major issues arising during the audit and management responses; key accounting and audit judgements; and levels of errors identified during the audit process.

2.26 REVIEW at least annually the independence of the external auditors to the Nest Scheme, taking into account relevant professional and regulatory requirements.

2.27 REVIEW at least annually the effectiveness of the external auditors.

2.28 REVIEW annually the nature and scope of both the Nest Corporation and Nest Scheme external audit, and meet with the external auditors for Nest Corporation and for the Nest Scheme at least twice a year: once before the audit commences, to consider the audit plan and once post audit (without management being present) to discuss the auditors' remit and any issues arising from the audit, giving due consideration to potential fraud, regularity and Managing Public Money, illegal activity and bribery.

Internal Controls

2.29 REVIEW the effectiveness of the internal control framework, including key controls relating to financial and operational processes.

2.30 REVIEW the findings of the annual assurance process and receive management reports on the effectiveness of the internal controls and test the assurance provided through questioning and seeking additional information where required and providing recommendations to the Board as appropriate.

2.31 REVIEW the findings of the assurance reports on internal controls provided by the Scheme Administrator, seeking additional information where required.

2.32 RECOMMEND to the Board any matters requiring action arising from the assurance reports on Nest's internal control received from the Scheme Administrator.

2.33 REVIEW the findings of the assurance reports on internal controls of Nest Corporation (Tech 05/20 reports or equivalent), seeking additional information where required, APPROVE the annual Tech 05/20 Report and Letter of Representation.

2.34 REVIEW the findings of the annual process of reviewing the annual assurance report received by Nest from its fund managers and the Scheme's fund administrator.

2.35 REVIEW the findings of the annual process of reviewing the Annual Report and Audited Financial Statements for the all the pooled investment vehicles Nest Scheme invests in.

Compliance/Monitoring/ Regulation

2.36 REVIEW and RECOMMEND to the Board the approval of the Nest Continuity Strategy and Business Plan and receive assurance that the document meets Master Trust Supervision requirements.

2.37 REVIEW and RECOMMEND to the Board the annual Modern Slavery Act Statement for publication on the Nest website.

2.38 REVIEW and RECOMMEND to the Board submissions to the Pensions Regulator required to be approved by the Nest Board under regulation or legislation.

2.39 REVIEW any other submissions to The Pensions Regulator as required by regulatory guidance or as appropriate within the remit of this Committee, including for example, the data quality report.

Whistleblowing and Fraud

2.40 REVIEW at least biannually the arrangements/ policies in place for raising concerns relating to possible wrongdoing in the organisation, including but not limited to Nest's whistleblowing procedure; breach reporting policy; grievance policy; and financial crime and anti-money laundering policy.

2.41 APPROVE policies and processes which relate to arrangements for Nest Corporation staff to raise concerns and report possible wrongdoing, as outlined within the Policy Framework approved by the Risk Committee. REVIEW the adequacy and effectiveness of Nest's financial crime and anti-money laundering systems and controls, and ensure the Chief Risk Officer has direct access to the Committee Chair.

2.42 REVIEW at least biannually information on the expenses and gifts and hospitality received by and given to, Board Members and Executive Committee.

Miscellaneous

2.43 APPROVE: Any other policies and processes as outlined within the Policy Framework approved by the Risk Committee deemed to fall into the remit of this Committee.

3 Membership, Quorum, Attendance, Procedures

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

3.2 The quorum for the Committee is **two** Committee Members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee. Meetings may be held via electronic means and attendance via video or teleconferencing shall be deemed to be attendance in person.

3.3 The Chair of the Board shall not be Chair of the Committee. In the absence of the Committee Chair, the remaining Committee Members shall elect one of their number to Chair the meeting.

3.4 Decisions will normally be reached by consensus, but any Committee Member may call for a vote. Where necessary, voting will be by a show of hands and in any equality of voting, the Committee Chair of the meeting shall have a casting vote. This will not apply at Committee meetings where only two Committee Members are present, where a consensus must be reached before a decision can be taken.

3.5 All Board Members have attendance rights but have no voting rights unless they are a member of the Committee. Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chair. The CEO, Chief Financial Officer and Chief Risk Officer shall be regular attendees of this Committee but will not have attendance rights or voting rights. The Committee may invite such other persons to attend its meetings, as it deems necessary. Representatives from the external auditors and internal auditors shall normally attend all routine meetings.

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

3.7 The Corporate Secretary or his/her nominee shall act as Secretary to the meeting and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

3.8 The Committee will receive and share information with the Risk Committee as deemed appropriate and necessary by this Committee or by the Risk Committee.

3.9 The Chief Financial Officer and the Chief Risk Officer will both have access to the Committee members.

4. General powers and duties

4.1 The Committee must ensure regular reporting back to the Board on matters within its remit, and should at least annually, review its terms of reference and recommend any changes to the Board for approval.

4.2 Nest Corporate Secretariat will produce a report on the Committee's activities to be included in the Nest Corporation and Nest Scheme Annual Report and Accounts.

4.3 The Committee may undertake any other task or activity which it considers is conducive to supporting the Nest Board in the effective discharge of their duties.

4.4 The Committee shall make whatever recommendations to the Board it deems may be appropriate within its remit where action or improvement is needed.

4.5 The Committee will have access to sufficient resources in order to carry out its duties, including access to the Corporate Secretary for assistance, as required. The Committee is authorised by the Board to obtain outside legal or other professional advice in relation to any matters or responsibilities as set out in this terms of reference document.

4.6 The Committee may delegate to an individual Executive or a working group such of its delegated powers as it sees fit but must document these delegations.

4.7 The Committee may only enter into agreements relating to matters which have been reserved to them.

4.8 The Committee may set its own operating procedures and monitor the effectiveness of its processes in line with its terms of reference and may review and make recommendations to the Board on changes to its terms of reference.

4.9 The Committee will review and approve individual Nest Corporation policies as set out in the policy framework.

4.10 The Committee will determine whether a potential conflict of interest raised by a Committee Member precludes that Committee Member participating in a discussion or involvement in taking a decision on a particular topic. The Committee must resolve unanimously that a conflict may be disregarded (In the Pensions Act 2008, the relevant sections refer to "disqualification for acting, Schedule 1 paragraph 13(3) – 13(5). Conflicts will be documented and reviewed regularly.

Version	Approved by:	Effective from:
V1	Nest Corporation Governing Body	05/07/2010
V2	Nest Corporation Governing Body	14/07/2014
V3	Nest Corporation Governing Body	21/07/2016
V4	Nest Corporation Governing Body	21/10/2020
V5	Nest Corporation Governing Body	24/03/2022
V6	Nest Corporation Governing Body	21/09/2023
V7	Nest Corporation Governing Body	26/06/2025