General Counsel

Nest Corporation Nominations and Remuneration Committee

Terms of Reference

The Board of Nest Corporation ('Nest') (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 recommendations and the execution of approved decisions to competent persons.

The Nominations and Remuneration 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 Committee is to monitor the effectiveness of the remuneration strategies and organisational culture in enabling Nest to attract and retain the required calibre of senior executives and wider staff, as well as to support delivery of the strategy agreed by the Board. The Committee will also provide oversight and challenge over the processes and framework to support sound corporate governance within Nest. The Committee shall have oversight of Nest Corporation, the Nest Scheme, Nest Invest Limited and any other subsidiary undertakings, as appropriate.

1. Role and Purpose

The Committee's role is:

- To monitor that Nest has the appropriate reward strategies in place, in particular remuneration policies[2], succession planning and recruitment control, to attract, motivate and retain the required calibre of both senior Executive Committee members and wider staff;
- To monitor that Nest has policies and processes in place to develop and maintain the required capabilities, capacity and culture to run the organisation and deliver the agreed strategy; and
- To provide oversight of Nest's corporate governance arrangements by assessing whether overall governance arrangements are adequate, appropriate and operating effectively, to meet both Trustee and Public Corporation requirements.

2. Responsibilities

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

Chief Executive Officer ('CEO') of Nest Corporation

2.1 REVIEW the recruitment process and RECOMMEND to the Board the appointment of the preferred candidate for the Chief Executive Officer position, including the terms of employment and remuneration of the CEO, and any proposed changes.

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

[2] The Committee is required to demonstrate due consideration of the DWP's views when considering any pay and reward strategies and any payments. Remuneration in this Terms of Reference refers to cash elements only.

2.2 APPROVE any non-consolidated awards to be paid to the CEO, as proposed by the Board Chair, as well as the objectives, terms of appointment and key performance indicators against which the CEO (and any other staff they may deem appropriate) will be measured.

2.3 APPROVE the succession plan for the CEO, in line with recommendations from the Chief People Officer and Nest Corporate Secretariat.

2.4 APPROVE, by exception, any carry-over of annual leave entitlement above five days per annum, in respect of the CEO, including any payment to the CEO in lieu of accrued and unused annual leave, as proposed by the Chair of the Board.

2.5 APPROVE termination arrangements and payments to the CEO, as required and in line with Managing Public Money guidance.

Board Members, Committee Members and Panel Members

2.6 REVIEW regularly the structure, size, and composition (including the skills, knowledge, experience and diversity) of the Board, and its Committees, and APPROVE the annual training and induction plans for Board Members.

2.7 APPROVE the recruitment needs and process for appointment of Board Members during the initial period, for discussion with the Department of Work and Pensions (hereinafter "DWP")[3]; and RECOMMEND to the Board the appointment of Board Members (post the initial period).

2.8 APPROVE the recruitment needs, process, appointment and removal of non-Board Members of Committees and APPROVE the terms and fee levels of non-Board Members of Board Committees.

2.9 REVIEW and APPROVE the succession plans for Board Members, including the Board Chair, as recommended by the Corporate Secretary, for discussion with the DWP. These should include contingency planning – for sudden and unforeseen departures; medium term planning – for orderly replacement of current Board Members; and long-term planning – in line with Nest's longer-term strategy and objectives.

2.10 RECOMMEND to the Board the designation of the preferred candidate for Senior Independent Director, including the removal of an individual from post.

2.11 NOTE the annual review of the content of Board Members' Registers of Interests and Conflicts of Interest by Nest Corporate Secretariat and report to the Board any entries where a conflict or perceived conflict cannot be managed.

2.12 NOTE the annual review of Board Member responses to the Fit and Proper Questionnaire by Nest Corporate Secretariat and report to the Board any concerns.

2.13 REVIEW the procedures for attracting, selecting, appointing and removing Employers' Panel and Members' Panel members (including Panel Chairs).

2.14 APPROVE the appointment of Employers' Panel and Members' Panel members, including terms and associated remuneration; and APPROVE the appointment and re-appointment of the Members' and Employers' Panel Chairs, including terms and associated remuneration.

[3] The 'initial period' shall be that period during which Nest is required to seek the approval of DWP for its Board appointments

2.15 APPROVE any significant changes to the structure, size, and composition of the Employers' Panel and Members' Panel (taking into consideration necessary skills, knowledge, experience and diversity), subject to the provisions of the Pensions Act 2008 and the Nest Order and Rules.

2.16 APPROVE the Memorandum of Understanding between the Employers' Panel, the Members' Panel and Nest Corporation, and the terms of reference for the Members' and Employers' Panels, and any proposed changes in consultation with the Members' and Employers' Panels.

2.17 REVIEW the procedures for attracting, selecting, appointing and removing members of the Nest Insight Oversight Panel (including Panel Chairs).

2.18 APPROVE the appointment terms and associated remuneration for members of the Nest Insight Oversight Panel.

2.19 APPROVE any significant changes to the structure, size, and composition of the Nest Insight Oversight Panel (taking into consideration necessary skills, knowledge, experience and diversity).

2.20 APPROVE the Memorandum of Understanding between Nest Insight and Nest Corporation, and the Terms of Reference for the Nest Insight Oversight Panel, and any proposed changes.

Nest Executive Committee

2.21 APPROVE the total remuneration packages for each member of the Executive Committee and/or where the annual remuneration exceeds £200k, including how these relate to wider corporation reward, benefits and policies.

2.22 APPROVE termination arrangements and payments of Executive Committee members as required and in line with Managing Public Money guidance.

2.23 REVIEW the arrangements for the performance review for members of the Executive Committee, including proposed annual performance ratings as proposed by the Chief Executive Officer.

2.24 APPROVE any remunerated external appointments of Executive Committee members, (as recommended by the Board Chair for appointments of the CEO, and as recommended by the CEO for all other Executive Committee members) in line with the Nest External Appointments Policy.

2.25 REVIEW the recruitment process and RECOMMEND to the Board the appointment of the preferred candidate for the Corporate Secretary role.

Nest Staff Reward, Engagement and Culture

2.26 REVIEW and receive data at least annually to monitor the culture of Nest, based on the recommendation of the Chief Executive Officer on what culture is required to deliver the strategy agreed by the Board and underpin the success of Nest.

2.27 APPROVE the appointment of the designated Workforce NED (including terms and objectives of the role) to provide independent oversight, strategic challenge, and informed insight to the Nest Board on workforce matters,

2.28 REVIEW regular updates from the designated Workforce NED on colleague engagement and sentiment.

2.29 REVIEW any significant changes to Nest's People and Culture strategy and APPROVE any significant changes to the Nest Staff employee reward and benefit structure.

2.30 APPROVE a pension scheme for Nest staff, and any proposed changes.

2.31 APPROVE targets for Nest staff performance related pay plans.

2.32 REVIEW reliable, up to date information relating to remuneration in other companies of comparable scale and complexity.

2.33 REVIEW the findings of the bi-annual Nest Staff Surveys and any other feedback formally raised by staff and consider the proposed management actions.

2.34 REVIEW arrangements for development planning, talent management and succession planning within Nest, including how this relates to diversity.

2.35 REVIEW regularly the composition of Nest's staff, specifically in relation to gender, age, ethnicity and salary levels by pay grade.

2.36 REVIEW Nest's Diversity and Inclusion Strategy, including any related targets proposed by the Chief Executive Officer, in particular relating to the annual gender and ethnicity pay gap reports including monitoring of any actions to address this.

Nest Governance and Constitutional Documents

2.37 REVIEW arrangements for the appropriate delegation of decisions and day to day running of Nest, including annual review, and RECOMMEND to the Board the Scheme of Reserved Powers and Delegations and any changes.

2.38 RECOMMEND to the Board the Framework Document between the DWP and Nest, and any proposed changes.

2.39 RECOMMEND to the Board any changes to the Nest Rules and consider any changes to the Nest Order as proposed by the DWP.

2.40 REVIEW and APPROVE the process, timeline, and scope of the annual Board and Committee effectiveness reviews, including the triennial external effectiveness review, and REVIEW the results.

2.41 RECOMMEND to the Board any changes to Nest's corporate governance approach (including the formation of governance forums with delegated authority from the Board) required to comply with external governance, legal and/or regulatory requirements or best practice or internal governance needs, to ensure that Nest continues to maintain appropriate levels of governance.

2.42 REVIEW regularly the ethical culture of Nest and how the Seven Principles of Public Life are embedded in the organisation and RECOMMEND to the Board any changes.

Nest Committees

2.43 REVIEW and RECOMMEND to the Board: Committee arrangements, including the structure, appointment of Committee chairs and members and constitution, including any proposed changes.

2.44 REVIEW and RECOMMEND to the Board any substantive and/or material changes to the terms of reference of Nest Committees (notwithstanding clause 4.1).

Nest Invest Limited

2.45 REVIEW regularly the structure, size, and composition (including the skills, knowledge, experience and diversity) of the Nest Invest Limited Board and RECOMMEND to the Nest Board any proposed changes.

2.46 REVIEW regularly the terms of reference for the Nest Invest Limited Board, and RECOMMEND to the Nest Invest Limited Board any proposed changes.

2.47 APPROVE the recruitment needs and process for appointment of Board Members of Nest Invest Limited, including the role specification for the Chair and other Board Members, and APPROVE term and fee levels of Board Members of Nest Invest Limited.

Policies and Processes

2.48 APPROVE any policies as set out in the Nest Policy Framework agreed by the Risk Committee.

2.49 REVIEW and provide assurance to the Board Risk Committee on the management of Nest's People Principal Risk.

Other Matters

2.50 The Committee shall make whatever recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is required.

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 Corporate 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 agreed.

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 and Chief People 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.

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.

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 Board in the effective discharge of their duties.

4.4 The Committee shall make whatever recommendations to the Board as 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 external 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 policies as set out in the policy list and its terms of reference.

4.10 The Committee will determine whether a potential conflict of interest raised in respect of 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:	Recommended by:	Approved by:	Effective from:
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V1.1	Secretariat	Deputy Corporate Secretary (drafting changes only to amend from NDPB to Public Corporation)	n/a
V2	Secretariat/ NomRem Committee	Nest Corporation Governing Body	24 October 2019
V3	CoSec	Nest Board	21 October 2020
V4	CoSec	Nest Board	27 January 2022
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