Nest's responsible investment report

Our responsible investment activities and outcomes over 2025/26



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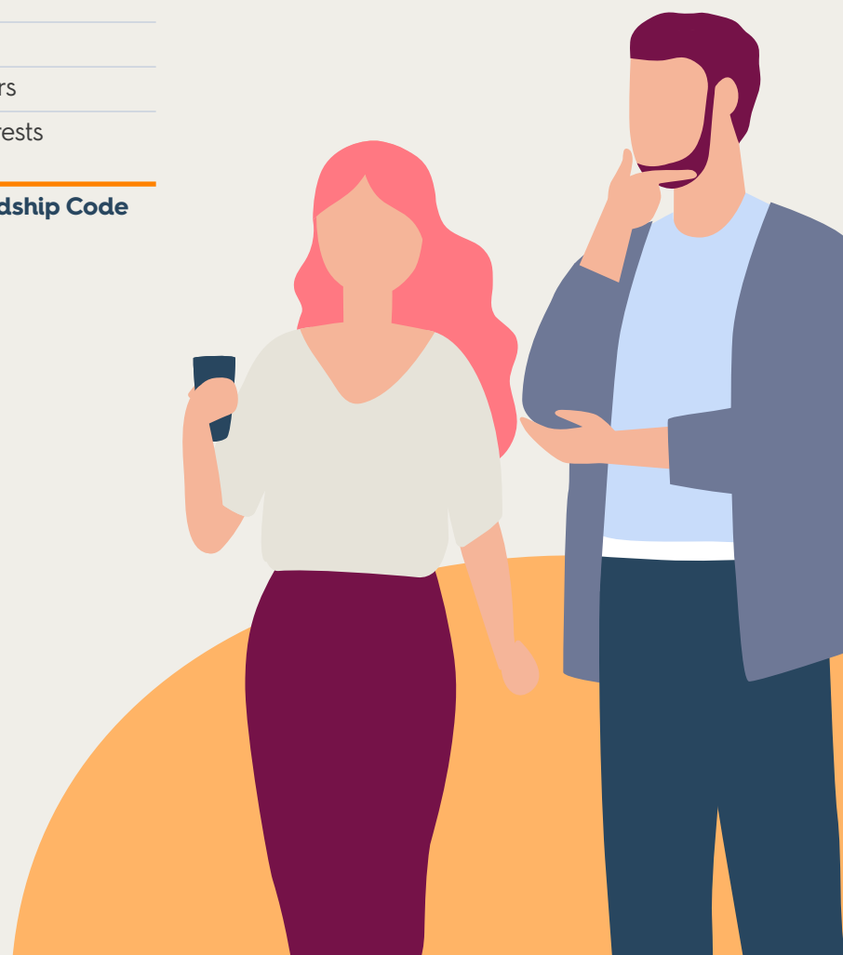

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Foreword

Over the past year, long-term investors have continued to navigate a challenging environment. Geopolitical conflict, trade tensions, changing policy signals and extreme weather have added to market uncertainty and affected our members' lives. At the same time, the rapid development and adoption of artificial intelligence (AI) are increasing its relevance across the companies and markets in which we invest.

This is creating potential investment opportunities while raising new questions about governance and AI's effects on people and the environment. Political debate in the United States affecting environmental, social and governance (ESG) issues and shareholder rights has also continued to intensify. For Nest, these developments reinforce, rather than weaken, the case for disciplined, responsible investment: identifying material risks and opportunities, acting as good stewards of our members' savings, and maintaining a focus on long-term outcomes.

Our responsibility continues to grow with our scale. More than 14 million people now save with Nest, and many will remain invested for decades. As we grow, it becomes increasingly important that we stay close to our members and understand what matters to them. This year, we held our first Member Assembly, bringing together a diverse group of members to learn, deliberate and develop considered recommendations on how Nest should invest in their best interests. Their insights are helping to inform our approach and strengthen accountability, alongside our duty to deliver the best possible financial outcomes for members. We were also pleased to have contributed to the Department for Work and Pensions' (DWP) working group on guidance for pension trustees' fiduciary duties, sharing practical experience and real-world examples of how trustees can consider relevant factors, including members' views and circumstances, within a fiduciary framework.

Climate change remains one of our most important priorities, both as a source of financial risk and as an investment opportunity. The unprecedented heatwaves of this summer, alongside many other extreme weather events globally, have reinforced the importance of considering physical climate risk and adaptation. We continue to enhance the data and tools we use to assess how climate change could affect our portfolio and to engage fund managers, companies and policymakers on the action needed to support a more resilient economy. We have also continued to invest in opportunities arising from the transition, including a new mandate designed to support the infrastructure and technologies needed for a lower-carbon economy.

Long-term investors also need to think about how the natural environment is preserved to help tackle the worst climate impacts, and how risks to workers and society, including from climate change and the transition, are managed, so that both continue to support economic activity and growth. That's why we are delighted to have recently published new position papers on nature and social factors, setting out how we intend to identify, assess and manage issues such as biodiversity loss, human rights, workforce issues, inequality and health across our portfolio. These issues matter not only because of their potential impact on long-term investment returns, but also because they shape the societies and economies in which our members live and will ultimately retire.

Finally, our commitment to high standards of stewardship reporting remains unwavering. We were pleased to have our signatory status to the Financial Reporting Council's (FRC) Stewardship Code renewed, recognising our stewardship practices and reporting. This report reflects the revised Stewardship Code that came into effect this year, which aims to streamline reporting and places greater emphasis on stewardship activities and outcomes.

However, we have continued to report on some aspects of stewardship covered by the previous Code, where we believe these remain important and useful for readers' understanding. We hope the report provides a clear account of the progress we have made, the challenges we have encountered and the work still ahead. Our aim remains to deliver strong long-term returns for our members, while helping to build a fairer and more sustainable financial system.

We thank our partners, colleagues and stakeholders for their continued support as we work together towards that goal.



Elizabeth Fernando
Chief Investment Officer

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Purpose of this report

Responsible investment and stewardship are part of how we manage our members' savings. This report covers the ESG risks and opportunities we considered during the year, the action we took and the progress and outcomes of that work. This includes how we have worked with our fund managers, companies, policymakers and other investors.

This is Nest's 10th annual responsible investment report. It covers our activities between 1 April 2025 and 31 March 2026, with some more recent examples included where relevant. This year, the FRC revised the reporting structure for Stewardship Code signatories, requiring two types of reports: a Policy and Context Disclosure (produced at least every four years) and an annual Activities and Outcomes Report. Our new **Responsible Investment Implementation Policy** will serve as the Policy and Context Disclosure, while this report meets the requirement to produce an Activities and Outcomes Report. Both documents will be submitted to the FRC as part of our Stewardship Code application in October 2026.

In practice this means the more static parts of our approach will now sit in the Responsible Investment Implementation Policy, which is published alongside this report. It includes our investment beliefs, responsible investment objectives, governance, priorities and policies – providing the context for the activities and decisions described here. That allows us to focus this report on what we did over the past year, what it achieved, and what we learned, including where progress was slower than we hoped or where an approach did not work.

Some of the activity described here is still ongoing, and where that is the case, we set out what we intend to do next. Readers may find it helpful to read the two documents together.



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How we prepared and reviewed this report

The report was drafted by our responsible investment team and reviewed in several stages before approval. Colleagues across Nest Invest contributed to and reviewed relevant sections. Our risk and compliance functions reviewed the report as part of their oversight role, while our communications team reviewed it from a member perspective. The report was then reviewed by the Nest Invest Investment Committee and approved by the Nest Invest Chief Executive Officer (CEO). Fund managers also reviewed passages describing work they carried out on our behalf.



How to read this report

We begin with an overview of Nest and our responsible investment approach, providing high-level context for the activities and outcomes described in the rest of the report. Further information about our overall approach is available in our **Responsible Investment Implementation Policy**.

The report then explains what we worked on, structured around our strategic priorities: climate change, social factors and nature, with corporate governance supporting work across all three. These sections summarise why we prioritised each theme, the main developments during the year and the progress we have made.

The sections on how we acted provide more detailed reporting and examples of how we applied our approach through risk monitoring, asset allocation, manager selection and monitoring, stewardship and advocacy.

The final sections explain what supports our responsible investment work, including our governance, policies, resources and engagement with members. They focus on relevant changes and how these arrangements have supported our work during the year.

Throughout the report, blue boxes highlight selected examples and case studies of our work, showing in more detail what we did, why we took that approach, the progress or outcomes we observed and, where relevant, what we plan to do next. These examples are not exhaustive but are intended to give readers insight into the range of our work and the progress made during the year.

At the end of the report, a reference table shows where we have sought to address each reporting requirement under the FRC's UK Stewardship Code 2026.

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About Nest

Nest is the UK's largest workplace pension scheme by number of members. We are a defined contribution (DC) master trust, which means our members build up their own individual pension pots over their working lives, and the retirement income they receive depends on how much is paid in and how those savings are invested.

We were set up by government to support the introduction of automatic enrolment, so that every employer would have somewhere to enrol their staff, whatever their size or sector.

We run on a profit-for-member basis, and our purpose is building financial peace of mind for all.



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Our members

More than 14 million people now save with Nest, up from 13.8 million a year earlier. Our membership continues to grow and reflects a broad cross-section of the UK workforce, including people of different ages, occupations, incomes and backgrounds – all at different stages of their retirement savings journey.

Understanding our members' needs, priorities and concerns is an important part of our responsible investment approach. Because many of our members will be saving their pension over several decades, many of the ESG issues we consider today may have a material impact on their retirement outcomes in the future. This includes considering the long-term risks and opportunities linked to issues such as climate change, nature loss and social inequality. Listening to our members' perspectives helps us to ensure we consider how these factors may affect both their retirement savings and the world they will retire into.

We regularly engage with members through research, surveys, user testing and direct conversations to better understand their views and improve how we communicate about pensions, investing and responsible investment.

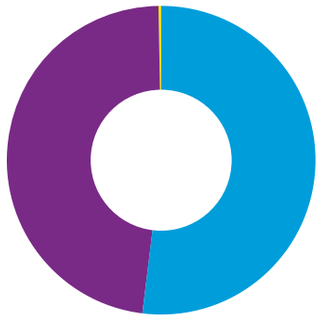
This year, we took an important step in strengthening that understanding through our first Member Assembly, which brought together members from across the country to discuss the issues that matter most to them. The Assembly provided valuable insight into how our members think about issues, including responsible investment, stewardship and long-term outcomes, helping to inform our ongoing approach. You can read more about the Assembly on page 71.

14m+
Members

£8.6bn
Total annual contributions

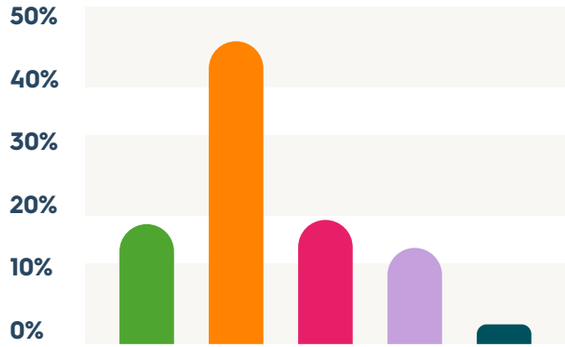


Members' gender



- **52%** male members
- **47.9%** female members
- **0.1%** members who did not have a gender listed

Members' age



- **18.1%** aged under 30
- **45.6%** aged 30-44
- **19.2%** aged 45-54
- **13.8%** aged 55-64
- **3.2%** aged 64+

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Our investments

Around 97% of members are invested in our default Retirement Date Funds, which automatically adjust their asset allocation as they move through different stages of saving for retirement. The strategy is designed to deliver long-term, inflation-beating returns during the growth phase, before gradually reducing risk as members approach retirement. Alongside our default strategy, members can choose from a range of alternative funds to reflect different investment preferences and retirement objectives.

Investments are diversified across a wide range of assets to support resilient, risk-adjusted returns over the long term and almost all of our investments are managed by specialist external investment managers on our behalf.

Our assets under management

Nest's assets grew to **£61.6 billion** by the end of March 2026, up from £49.1 billion a year earlier. As our assets have grown, so too has our ability to build diversified portfolios and provide members with access to a wider range of investment opportunities, including private equity, infrastructure, private credit and timberland. These investments can offer additional sources of return and diversification that have traditionally been more difficult for ordinary savers to access. Our scale also helps us secure favourable fees and access investment opportunities that may otherwise be unavailable to individual investors.



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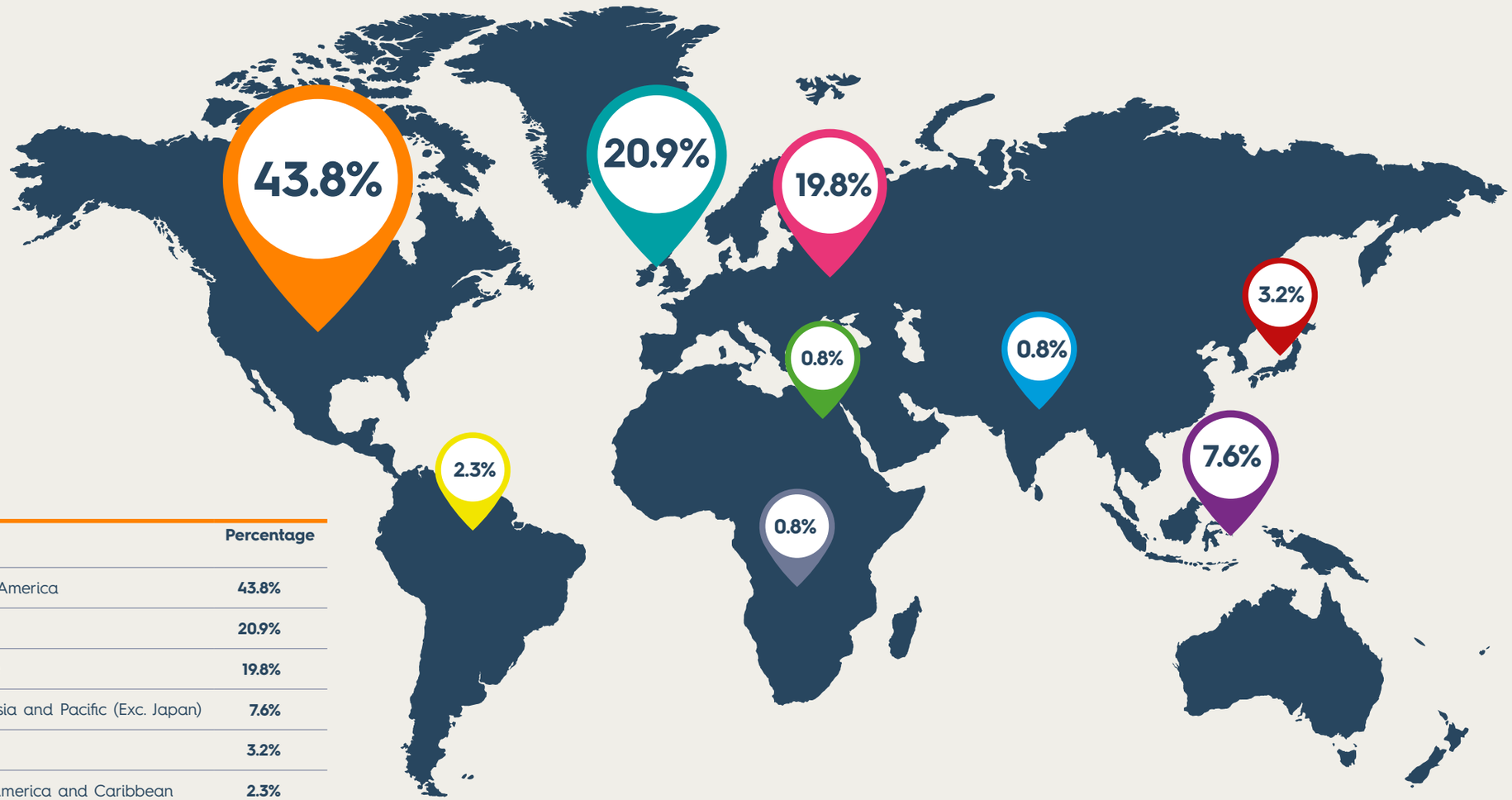
Assets under management by region



Region	Percentage
North America	**43.8%**
UK	**20.9%**
Europe	**19.8%**
East Asia and Pacific (Exc. Japan)	**7.6%**
Japan	**3.2%**
Latin America and Caribbean	**2.3%**
South Asia	**0.8%**
Middle East and North Africa	**0.8%**
Sub-Saharan Africa	**0.8%**

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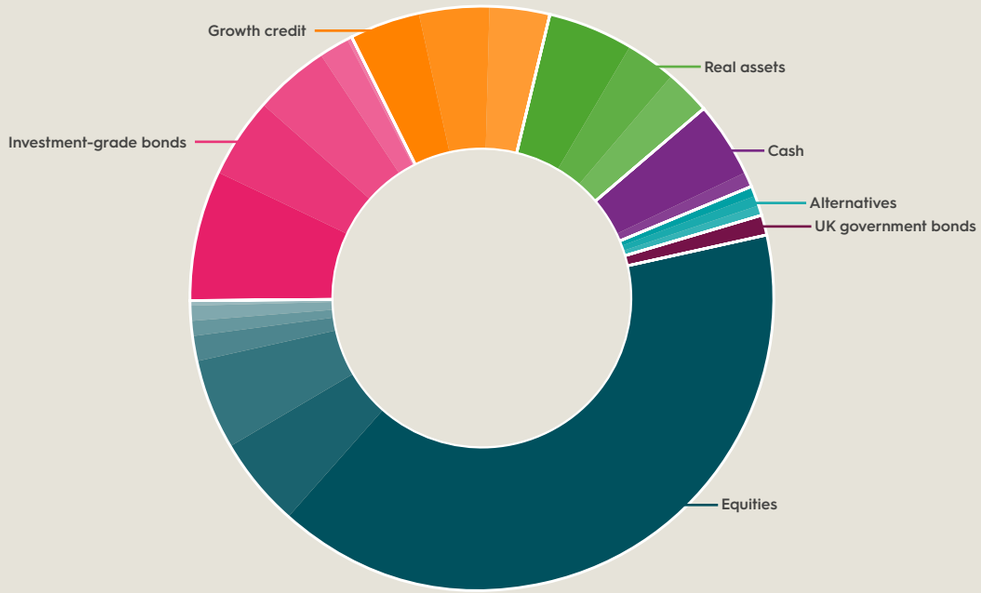
Nest's portfolio at a glance

Our members' savings are invested across a wide range of asset classes, including equities and bonds, as well as private market investments such as property, infrastructure, private equity and natural capital. We also use a mix of active and systematic (or index-based) investment strategies. Just under half of our assets are managed through systematic strategies. We work with 21 investment managers and partners, each selected for their expertise in different parts of the market, to help implement our investment strategy.

During the 2025/26 financial year, we:

- Appointed BTG Pactual Timberland Investment Group to expand our timberland investments;
- Acquired a 10% stake in Industry Super Holdings (IFM Investors) in our private equity programme; and
- Continued to grow our private markets programme

1. Data correct as of 31 March 2026; however, asset allocations are indicative only and subject to change. A proportion of the foreign currency exposure is hedged in our developed market credit funds, global developed equity fund and our private market fund. Figures are shown to 1 decimal place and may be affected by rounding.



What's inside each asset class[1]

- **Equities: 53.5%**
  - **40.1%** Climate aware global developed equities
  - **4.9%** Climate aware global emerging market equities
  - **5.0%** Private equity
  - **1.4%** Thematic equities
  - **0.9%** Islamic equities
  - **0.8%** Direct property income
  - **0.4%** Ethical global equities
- **Investment-grade bonds: 18.0%**
  - **7.0%** Global investment-grade bonds
  - **4.5%** Sterling corporate bonds
  - **4.2%** Sterling short duration investment-grade bonds
  - **1.7%** Global short duration investment-grade bonds
  - **0.4%** Sukuk
  - **0.2%** Ethical sterling corporate bonds
- **Growth credit: 11.2%**
  - **4.0%** Emerging market debt
  - **3.8%** Global high-yield bonds
  - **3.4%** Private credit
- **Real assets: 9.9%**
  - **4.7%** Direct property
  - **2.8%** Infrastructure equity
  - **2.3%** Infrastructure equity, renewables
  - **0.0%** Build-to-rent property
- **Cash: 5.1%**
  - **4.2%** Low-risk sterling liquidity
  - **0.9%** Ethical low-risk sterling liquidity
- **Alternatives: 1.1%**
  - **0.6%** Derivatives
  - **0.5%** Natural capital
- **UK government bonds: 1.1%**
  - **1.1%** Fixed interest gilts

*Note: all figures are rounded and therefore may not total 100%. Values below 0.05% are shown as 0.0%.

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Who manages the assets

The table below provides an overview of the investments and investment managers that make up our investment portfolio.

Asset class	Fund strategy	Investment manager
Cash	Money market funds	BlackRock
		Northern Trust Asset Management
	UK government bonds	BlackRock
		Royal London Asset Management
Investment-grade bonds	Investment-grade corporate bonds	Allspring
		BlackRock
		Columbia Threadneedle
		Royal London Asset Management
		HSBC Global Asset Management
Growth credit	Emerging market debt	Amundi Asset Management
	Global high-yield bonds	J.P. Morgan Asset Management
	Private credit	Amundi Asset Management
		BlackRock
		BNP Paribas Asset Management
		IFM Investors
Equities	Developed markets equity	Columbia Threadneedle
		HSBC Global Asset Management
		UBS Asset Management
	Emerging markets equity	Northern Trust Asset Management
	Private equity	HarbourVest Partners
		Schroders Investment Management Limited
		Industry Super Holdings
	Listed property	Legal & General Asset Management
	Thematic equity	Lombard Odier Investment Managers
Real assets	Direct property	Legal & General Asset Management
	Infrastructure equity	CBRE Investment Management
		GLIL Infrastructure
		Octopus Energy Generation
Alternatives	Derivatives	Amundi Asset Management
	Natural capital	J.P. Morgan Natural Capital (formerly Campbell Global)
		BTG Pactual Timberland Investment Group

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Overview of our responsible investment approach

Nest's purpose is building financial peace of mind for all, and our strategic ambition is to be a best-in-class pension provider delivering the best possible financial outcomes for our members to and through retirement.

Responsible investment is an important part of how we invest members' money. This is reflected in our investment beliefs, three of which are directly relevant: that incorporating and **acting upon climate risk and other ESG factors is a significant driver of investment outcomes**; that **acting as responsible long-term stewards has a positive and broad impact on member outcomes**; and that **building and maintaining members' trust in our investment approach throughout their time saving with us will support better retirement outcomes.**



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Our responsible investment objectives

Our responsible investment objectives guide and help prioritise our activities. They are set out below. These four objectives are endorsed by the Nest Invest Board, which sets the strategic direction and baseline for our responsible investment activity.

Better risk-adjusted returns

We seek to identify and manage ESG-related risks and opportunities across our portfolio where we believe doing so leads to lower risk and/or enhanced returns.



Better functioning markets

We want to improve market transparency and how markets operate and are regulated in jurisdictions where we invest. We also seek to manage and help to mitigate systemic risks which have the ability to impact the real-world economy and in turn our portfolio.



Foster long-term sustainable value for members

We seek to encourage our investee companies, fund managers and other stakeholders to be clear about the risks and impacts of their activities on the environment and wider stakeholders – in order to support the broader interests of our members beyond portfolio returns and support better quality of life outcomes.



Trust with members

We seek to protect Nest's reputation as a responsible investor and grow trust with our members, noting that transparency and clear communications about how we invest can promote such trust.



Delivering on these objectives requires a rigorous approach to identifying which ESG issues we should prioritise, developing a clear position on them, and translating that position into action across our portfolio. To support this, we use a prioritisation framework to assess which ESG issues we should treat as priorities. The framework evaluates issues against three dimensions: their potential to affect investment risk and return; their relevance to our members' broader interests and trust; and the extent to which we have credible and proportionate routes to act. For full details on Nest's investment beliefs, and responsible investment approach, please refer to our new **Responsible Investment Implementation Policy**.

The following sections give an overview of these priorities, why they are important to us, and a summary of the work and progress we have made over the year to address each.

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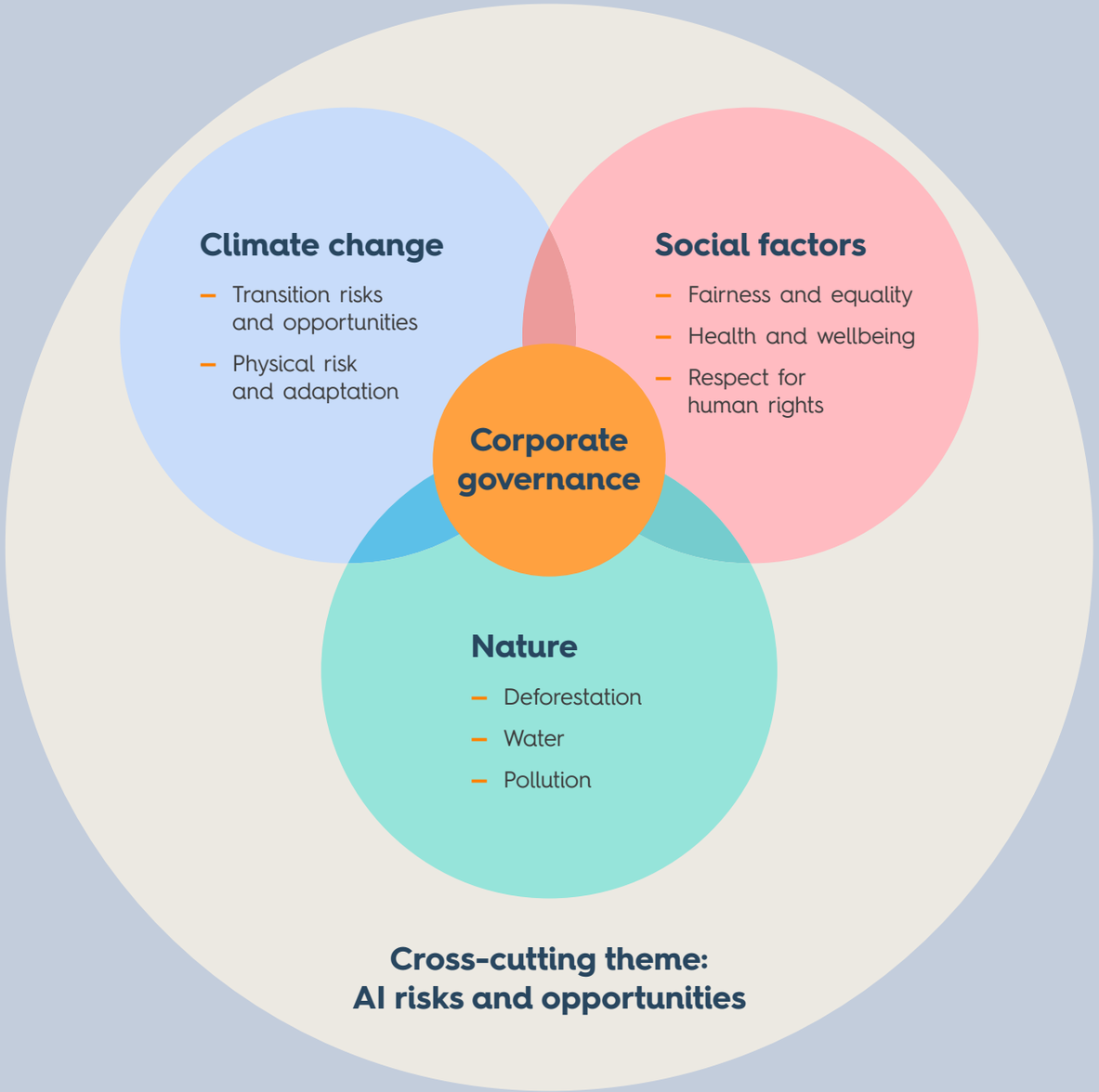
What we worked on: our priorities

During 2025/26, we continued to make progress across our priority responsible investment themes. We set out our approach to addressing social- and nature-related issues across our investments and as such, have reorganised our priorities going forward.

Our priorities are now grouped across three themes: climate change; social factors; and nature. Corporate governance supports all three. We have deliberately kept the themes broad, because they overlap and interact and are not managed in isolation. Beneath each theme sits a smaller number of more specific priorities that we expect to change over time as risks, evidence and data develop. This structure gives us a consistent long-term lens while leaving room to respond to new issues as they emerge.

Some issues and sectors cut across more than one theme, and we have found it more useful to work on them as connected problems than to confine them into a single category. Technology is a clear example. The rapid development of AI raises questions spanning fairness, labour markets and digital rights, while also carrying governance implications and, increasingly, climate and nature implications through energy and water demand. Rather than treating technology as a standalone priority, we see it as a crosscutting theme that impacts each of our thematic priorities. This year, we've set out how we have started addressing AI through our social pillars in the case study on page 22. Going forward, we will report on how we address it through each of our priorities, because that is where the risks from technology can be addressed.



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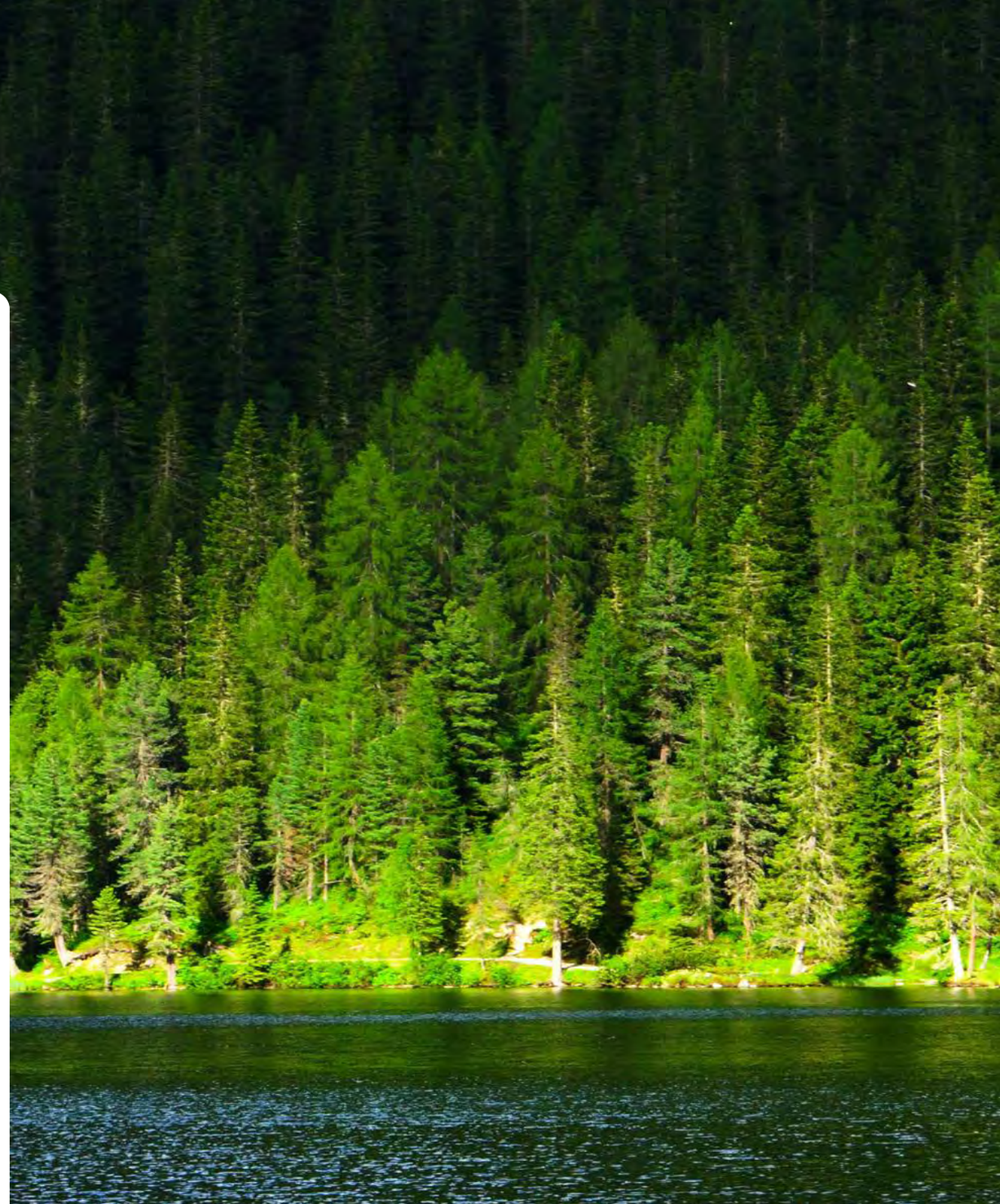
Climate change

Why climate change matters to us

Climate change is one of the world's biggest challenges and poses a significant threat not only to the environment, but also to social and economic stability.

Climate change is financially relevant to Nest because it is a systemic risk, meaning its impacts have the potential to affect the entire financial system and wider economy. It creates externalities that are not fully reflected in market prices today, but which we expect to become increasingly financially material over the long-term investment horizon on which we invest on behalf of our members. At a portfolio level, this means that we cannot diversify away from these risks, although we recognise that their impacts will be felt differently across regions, industries and companies.

Our objective is to protect members from the risks of climate change to their savings and their quality of life in retirement, while taking advantage of the investment opportunities of the transition and supporting the development of climate solutions. Our approach to climate change is captured in our **climate change policy**, which sets out how we address the climate change risks and opportunities across our investment portfolio and how we aim to meet our climate objectives.



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At a glance: our progress on climate change

This has been a challenging year for global climate action. Record heatwaves have highlighted the impacts of a warming climate, while AI growth is increasing energy demand. At the same time, governments and companies are taking different approaches to net zero, increasing the risk of a slower and more fragmented transition. These external pressures are beyond our direct control but could increase the climate-related risks facing our portfolio. Against this backdrop, we have remained guided by our climate change policy and our ambition to align the whole portfolio with limiting global warming to 1.5°C, reaching net zero emissions by 2050 or sooner. We continue to make good progress against our portfolio decarbonisation targets, which are reported in our 2025/26 TCFD report.

Alongside managing climate risk, we have continued to invest in opportunities arising from the transition. We achieved our ambition to invest £1.4 billion in renewable energy infrastructure, ahead of the 2030 target, and we committed a further £200 million to a next-generation climate technologies strategy with IFM Investors. We also began work to identify climate solutions already held within our private equity portfolio, which we describe in more detail later in this section. Together, these activities reflect a broader approach to climate solutions: making new investments where we see suitable opportunities, while improving our understanding of the exposure that already exists across the portfolio.

Decarbonising our portfolio more quickly than the wider economy would not protect our members against the systemic risks of climate change. Our climate change policy therefore also focuses on the role we can play in reducing real-world emissions.

Stewardship and advocacy also remained important parts of our approach to climate change mitigation, and the summary below provides an overview of the scale and focus of this work during the year.

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Companies directly engaged[2]

We continued to engage with companies on climate change, both directly as well as through our fund managers and investor groups. Our direct engagement focused particularly on banks and companies in high-emitting sectors, including oil and gas. In our discussions with oil and gas companies, we emphasised the importance of disciplined capital allocation and credible transition plans. Our engagement with BP, described later in this report, provides an example of this work. When speaking with banks, we focused on increasing finance for the transition and maintaining robust engagement with clients on their transition plans.

Alongside our direct engagement, our main listed equity fund managers, UBS, Lombard Odier and Northern Trust Asset Management, engaged 75 companies on climate-related matters on our behalf. We also continued to engage our fund managers on their own approach to climate stewardship, including where we considered progress by companies in their portfolios to be insufficient. We provide further detail on this work later in the report.

2
Policy engagements conducted[3]

We also continued to engage with policymakers and regulators on the disclosure, standards and wider policy measures needed to support the transition and help investors assess climate-related risks and opportunities, with two notable engagements taking place this year. In the UK, we supported mandatory transition plan requirements and alignment between UK Sustainability Reporting Standards and international standards. The government's response on transition plans remains pending. In Europe, we joined other investors in calling for the EU Methane Emissions Regulation to be retained. The regulation has not been reopened, although more flexible implementation guidance has since been issued. We will continue to monitor both areas and support high standards where appropriate.

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Initiatives participated in

We remained active in 12 investor initiatives focused on climate change, joining an additional 2 over the year, which we cover on page 63 of this report.

One area of continued focus is the banking sector. Through ShareAction's banking engagement programme, we joined other investors in calling on major banks to maintain robust climate commitments and demonstrate how their lending and financing activities support the transition to a low-carbon economy. This engagement was particularly relevant given growing evidence of some banks weakening climate ambitions, revising targets or reducing their participation in climate-focused industry initiatives.

Working alongside other investors enabled us to reinforce expectations around climate governance, transition planning and transparent reporting of progress. We believe sustained investor scrutiny of the banking sector remains important given the pivotal role banks play in directing capital across the economy and influencing real-world decarbonisation outcomes.

2. Direct engagement refers to when Nest has been involved in a meeting with a company (either one-to-one or as part of a broader investor meeting) and/or has written to a company directly.

3. Policy engagements refer to when Nest has responded to policy consultations, signed letters directed at policy makers and/or met with them directly.

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Case study

Identifying our existing exposure to climate solutions

Climate solutions are technologies that are crucial to mitigating and adapting to climate change. These include activities that contribute materially to reducing greenhouse gas emissions, avoiding future emissions, or enabling adaptation and resilience to climate change. Investing in climate solutions is a key pillar of our climate change strategy and we have built up sizeable investment allocations through our renewable infrastructure equity and debt funds.

However, our exposure to climate solutions isn't simply about investing in climate technologies through dedicated strategies; we have been encouraging all of our existing managers across different strategies and asset classes to research and invest in climate opportunities where they consider them to be attractive investments. We have now undertaken some work to look across our current portfolio to identify our exposure to climate solutions so we can begin to more accurately calculate and track it over time.

To that end, this year we worked with one of our fund managers, Schroders Capital (Schroders), to identify companies providing climate solutions in the private equity portfolio they manage on our behalf. That portfolio spans established and young, innovative businesses across sectors including healthcare, technology, financials and consumer goods, as well as growth areas such as AI.

We approached this in two parts. As the asset owner, we drew on the **Global Impact Investing Network's (GIIN) Climate Solutions Investing Framework**, which is designed to help investors like us engage with our managers and assess how far a strategy is oriented towards climate solutions. The framework guided us in clarifying mandate intentions, whether the climate outcomes were explicit or incidental, and in assessing contribution to the climate theme identified. It gave us a consistent basis on which to ask Schroders the right questions. Schroders, as the manager with direct knowledge of the holdings, then carried out that analysis. They had recently launched their own climate solutions identification tool and applied it to the portfolio to assess individual companies and estimate what proportion of it is invested in climate solutions providers. Schroders also used the GIIN framework to validate its internal methodology.

Overall, Schroders classified 10% of the Nest portfolio's Net Asset Value (NAV) as having exposure to climate solutions. Below are two examples of companies in our investment portfolio identified by Schroders as climate solutions (as per end of June 2025): one a clear climate solution; the other an enabler with a more indirect contribution:

- NG Nordic provides a broad range of circular and environmental services across the Nordics, including waste treatment, recycling, depollution of hazardous materials, construction reuse and sustainable demolition, expanding access to recycled raw materials and helping to remove hazardous substances from circulation. Its activities do not all count equally. Its material recycling and energy recovery are strongly linked to climate solutions because of their emissions-savings potential, while its hazardous waste treatment and the collection, transport and treatment of waste are more usually classed within the circular economy and pollution management. Reflecting this, we count part of NG Nordic's revenue as direct climate solutions exposure and the remainder as indirect climate mitigation, rather than treating the whole company as a climate solution.
- Contenur designs, manufactures and maintains containers for urban waste, and has a presence in both developed and emerging markets. Waste management of this kind is more directly a circular economy activity than a climate mitigation one, and because Contenur sits upstream of collection, its direct emissions savings across the value chain are modest. We still recognised a climate contribution on two grounds: its products support better waste segregation and collection route optimisation, and in emerging markets they are enabling formal waste management for the first time, which limits methane emissions and water contamination. On balance, we classified it as an indirect enabler rather than a direct climate solution.

Having this baseline definition of climate solutions is helpful for us to understand where these types of businesses already fit into our investment portfolio, and it forms the basis of considering whether there is scope to increase our allocation to climate solutions over time. Going forward, we will use the insights from this exercise and the GIIN framework to update our baseline assessment of climate solutions exposure and work to ensure consistency across asset classes. We also intend to refine how we measure progress over time, not only around the magnitude of our exposure to climate solutions but also to track their contribution to decarbonisation and adaptation.

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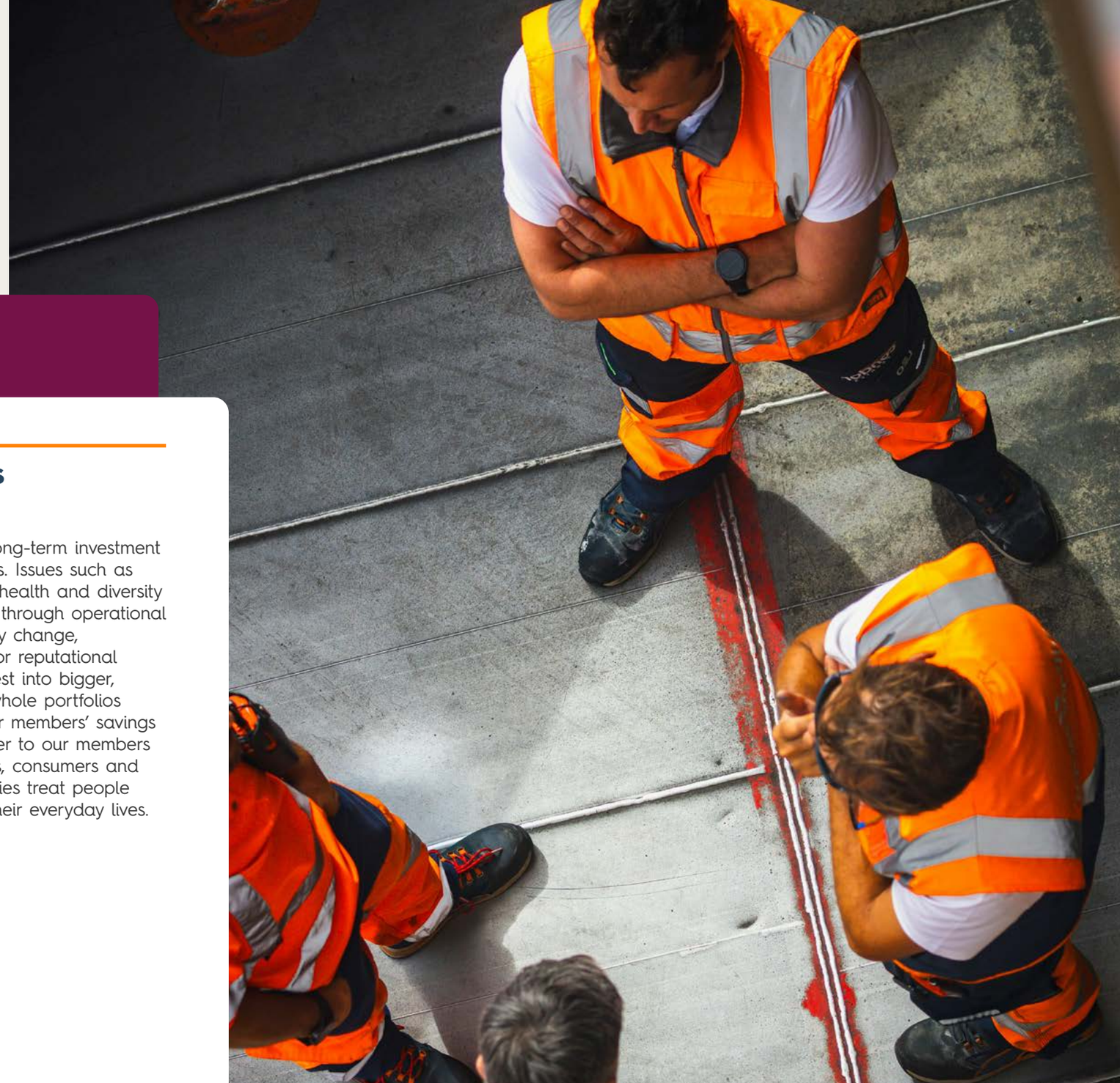
Social factors

Why social factors matter to us

Social factors are critical to long-term investment returns and member outcomes. Issues such as human capital, human rights, health and diversity can affect companies directly through operational resilience, legal and regulatory change, productivity, labour relations, or reputational impacts. They can also manifest into bigger, system-wide risks that affect whole portfolios and the broader economy our members' savings depend on. These issues matter to our members personally too: they're workers, consumers and citizens, and the way companies treat people and communities can affect their everyday lives.



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At a glance: our progress on social factors

We made good progress in strengthening our approach to social factors this year, most significantly through the development of our social factors framework. This brought together work that had previously developed across individual issues, including working conditions, diversity and inclusion, modern slavery and health, within a single, more structured approach. To support this, we published our first Position on Social Factors, giving members, fund managers and other stakeholders a clearer account of how we identify and address social-related risks and opportunities. Our enhanced approach is explained further later in this section.

Beyond this, our work during the year focused largely on stewardship and advocacy. Many social risks arise from company practices or from wider market and regulatory conditions, so engagement, voting and policy advocacy are often the most direct tools available to us. We used these tools across issues including workforce pay, health and nutrition, diversity and inclusion, modern slavery, technology-related harms and human rights.

This is the first year of our enhanced approach. As we embed the framework, we will collect more consistent information from our fund managers and across our stewardship activities. This should allow us to provide a fuller assessment of activity, progress and outcomes in next year's report.

31

Companies directly engaged

We continued to engage directly with investee companies on workforce pay, health, technology, modern slavery, and diversity and inclusion, in total, engaging with 31 companies across these topics. In addition, our main equity fund managers engaged with a total of 113 companies on social-related topics on our behalf.

We have seen good progress on consumer nutrition; with several companies we have engaged committing to improve nutrition reporting and set more ambitious healthy sales targets. This appears to have been supported, at least in part, by the UK government's forthcoming mandatory reporting requirements, which we have publicly supported. Progress has been more limited in other areas of health. For example, through the Farm Animal Investment Risk and Return (FAIRR) initiative, we wrote to restaurant companies encouraging them to strengthen antibiotic-use policies in their meat supply chains. Of the twelve North American quick-service restaurant companies targeted, only one responded and agreed to discuss the topic further.

On worker pay, we have seen incremental progress at individual companies, including 4 companies committing to enhanced reporting and disclosure on workforce-related topics.

2

Policy engagements conducted

We contributed to two areas of public policy on social factors, both of which where the UK government made commitments during the year. The first built on our longer-term advocacy for mandatory ethnicity pay gap reporting. During the year, we responded to the government's consultation, and more recently took part in a further roundtable to reinforce the importance of an ambitious and practical approach. In March 2026, the government confirmed its intention to require employers with 250 or more employees to report their ethnicity and disability pay gaps. We welcomed this commitment, although the legislation and timetable are still to be finalised.

The second concerned reporting on the healthiness of food sales. Nest supported advocacy work by ShareAction and the Food Foundation, including by signing an investor letter to UK government, supporting robust and comparable reporting across large food businesses and mandatory targets to improve the healthiness of sales. The government committed to introducing mandatory healthy food sales reporting for large food businesses and setting targets to increase the healthiness of sales, with companies retaining flexibility over how they meet those targets. The detailed scope, metrics and implementation arrangements are still being developed and will be subject to consultation.

13

Initiatives participated in

We remained active in 13 investor initiatives focused on social issues. We continue to see value in working with other investors and stakeholders, particularly where the issues extend across companies, sectors or markets.

A notable example is our work through the 30% Club UK Investor Group, where we continued to help coordinate engagement with FTSE 100 companies on gender and ethnic minority representation at executive committee level. During the year, nine companies introduced or strengthened measures to improve leadership representation.

Another highlight was our membership of the Workforce Disclosure Initiative (WDI), an investor-led initiative that encourages companies to report comparable information about how they manage risks and opportunities across their direct workforces and supply chains.

During the year, 30 companies committed to provide further reporting on workforce metrics. We see improved disclosure as an important step because more consistent and comparable data helps investors understand how companies manage their workforces, identify areas of concern and engage on potential improvements.

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Developing our social factors framework

Social issues have long been a central part of our responsible investment approach, reflecting the role that people play in the performance of the companies and assets we invest in. We have worked on issues like working conditions, diversity and inclusion, modern slavery and health for many years. This year, we brought this work together into a single structured approach to make it easier to judge where our effort is best spent and to set consistent expectations of our fund managers.

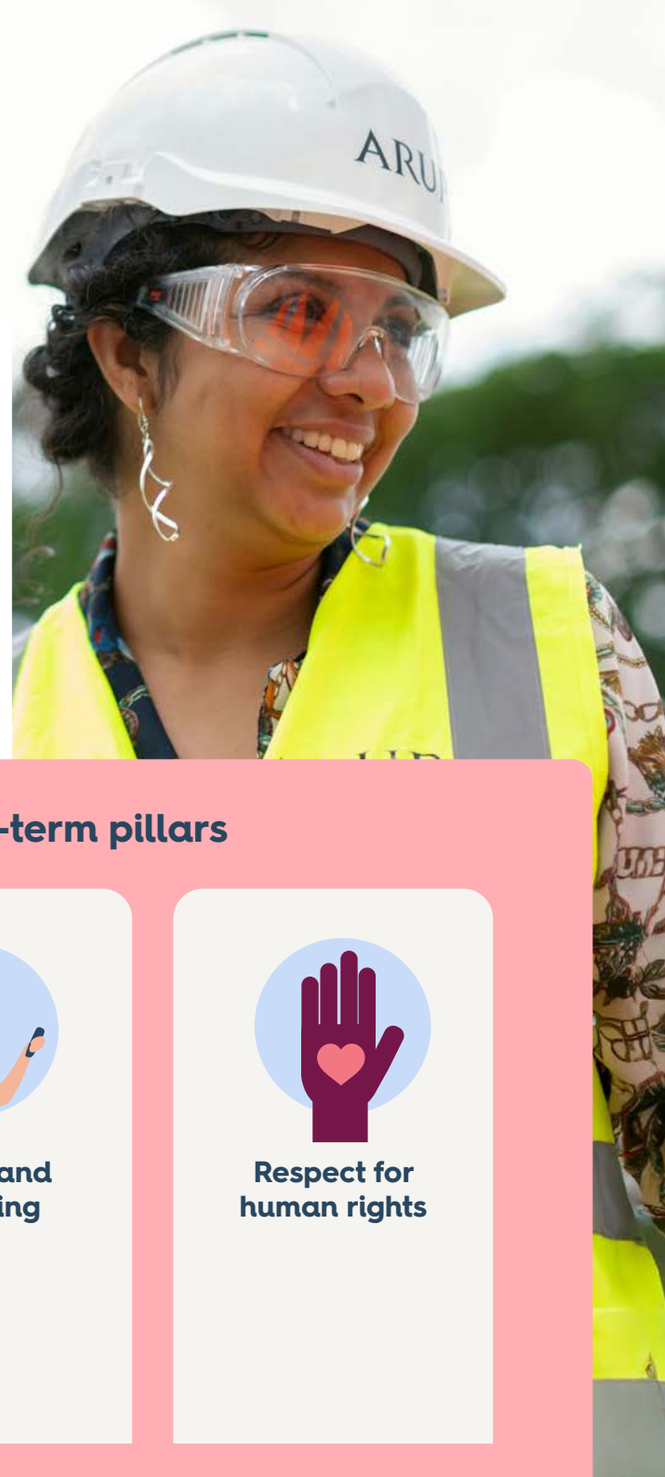
To do this, we developed our social factors framework, which sets out how we systematically identify, prioritise and address social risks and opportunities across our portfolio.

The framework is structured around three long-term pillars: fairness and equality, health and wellbeing, and respect for human rights. These are priorities we have identified based on their relevance to long-term investment outcomes, their potential to create risks that affect the wider economy, and their connection to our members' everyday lives. They guide the sub-issues we focus on routinely in our investment approach and provide the lens for assessing emerging risks such as AI and the social elements of the energy transition.

Beneath these pillars, we have identified specific stewardship priorities and developed plans for how to embed these across each of our investment levers: risk monitoring, asset allocation, manager selection and monitoring, stewardship and advocacy. This includes setting fund manager-specific objectives and key performance indicators (KPIs) on how they manage social-related risks and opportunities within the portfolios they manage on our behalf.

We expect the framework to evolve as data and standards improve and we gain a better understanding of how well our fund managers are meeting expectations. As global frameworks such as the Taskforce on Inequality and Social-related Financial Disclosures (TISFD) take shape, we also expect these to inform how we can disclose and report on our activities where relevant. Our position paper on social factors, which sets out an overview of this approach, is published on our website.

We will report on progress of this work in future versions of this report.



Our three long-term pillars



Fairness and equality



Health and wellbeing

Respect for human rights

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Understanding social risks across our portfolio

To support the development of our social factors framework, we wanted to have a clear view of where social risks are most concentrated across our holdings. We worked with Canbury, an independent sustainability consultancy, to apply their Social Impact Framework Tool (SIFT) to Nest's portfolio. This was a pilot exercise that supported the development of the methodology used which is being designed to align with the emerging Taskforce on Inequality and Social-related Financial Disclosures (TISFD).

SIFT is a structured methodology for identifying 'business model red flags' - commercial practices that, by the way they are structurally designed, create an inherent risk of adverse social outcomes for workers, consumers, communities or wider society. It draws on the Shift Project's Business Model Red Flags framework, which is itself grounded in the UN Guiding Principles on Business and Human Rights. The approach is sector-based - for each sector in the portfolio, SIFT assesses every relevant red flag against how widespread and deeply embedded the practice is in business models, and weights this against the sector's share of the portfolio.

The results provided us with a view of the social issues most relevant to our investments and surfaced some cross-cutting themes that run across multiple sectors that account for the majority of social risk in the portfolio. These include supply chain labour standards, data and technology-related harms, resource stewardship and just transition, and weaknesses in corporate governance, human rights and market standards.

These findings shaped how we structured our approach. Rather than organising the framework around individual sectors or isolated issues, we have built it around cross-cutting pillars that capture the underlying drivers of social risk, with corporate governance treated as the foundation that underpins all of them.

We are now working with Canbury to develop more granular insights within the specific funds run by our external fund managers. This will help us identify the most material social risks within each mandate and allow us to ask our fund managers more targeted questions about how they are managing the risks specific to their portfolio.

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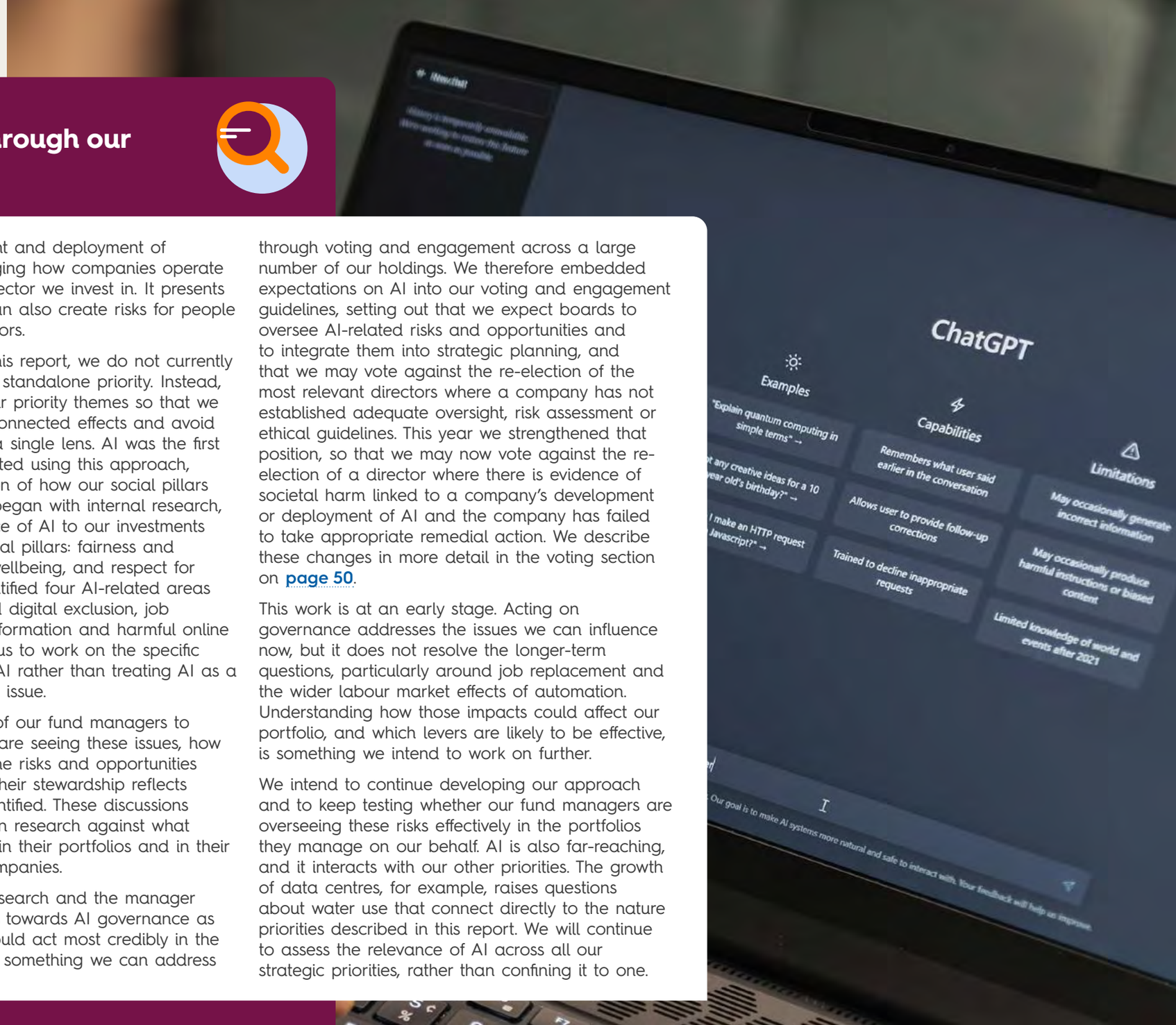
Assessing AI through our social pillars



The rapid development and deployment of generative AI is changing how companies operate across almost every sector we invest in. It presents opportunities, but it can also create risks for people and, in turn, for investors.

As set out earlier in this report, we do not currently treat technology as a standalone priority. Instead, we assess it across our priority themes so that we can consider its interconnected effects and avoid looking at it through a single lens. AI was the first emerging issue we tested using this approach, providing an illustration of how our social pillars work in practice. We began with internal research, assessing the relevance of AI to our investments through our three social pillars: fairness and equality, health and wellbeing, and respect for human rights. We identified four AI-related areas of relevance: bias and digital exclusion, job replacement, mis/disinformation and harmful online content. This allowed us to work on the specific risks that sit beneath AI rather than treating AI as a single, undifferentiated issue.

We then met several of our fund managers to understand how they are seeing these issues, how they are addressing the risks and opportunities arising, and whether their stewardship reflects the areas we had identified. These discussions helped us test our own research against what managers are seeing in their portfolios and in their conversations with companies.

Taken together, the research and the manager discussions pointed us towards AI governance as the area where we could act most credibly in the first instance, and it is something we can address through voting and engagement across a large number of our holdings. We therefore embedded expectations on AI into our voting and engagement guidelines, setting out that we expect boards to oversee AI-related risks and opportunities and to integrate them into strategic planning, and that we may vote against the re-election of the most relevant directors where a company has not established adequate oversight, risk assessment or ethical guidelines. This year we strengthened that position, so that we may now vote against the re-election of a director where there is evidence of societal harm linked to a company's development or deployment of AI and the company has failed to take appropriate remedial action. We describe these changes in more detail in the voting section on page 50.

This work is at an early stage. Acting on governance addresses the issues we can influence now, but it does not resolve the longer-term questions, particularly around job replacement and the wider labour market effects of automation. Understanding how those impacts could affect our portfolio, and which levers are likely to be effective, is something we intend to work on further.

We intend to continue developing our approach and to keep testing whether our fund managers are overseeing these risks effectively in the portfolios they manage on our behalf. AI is also far-reaching, and it interacts with our other priorities. The growth of data centres, for example, raises questions about water use that connect directly to the nature priorities described in this report. We will continue to assess the relevance of AI across all our strategic priorities, rather than confining it to one.

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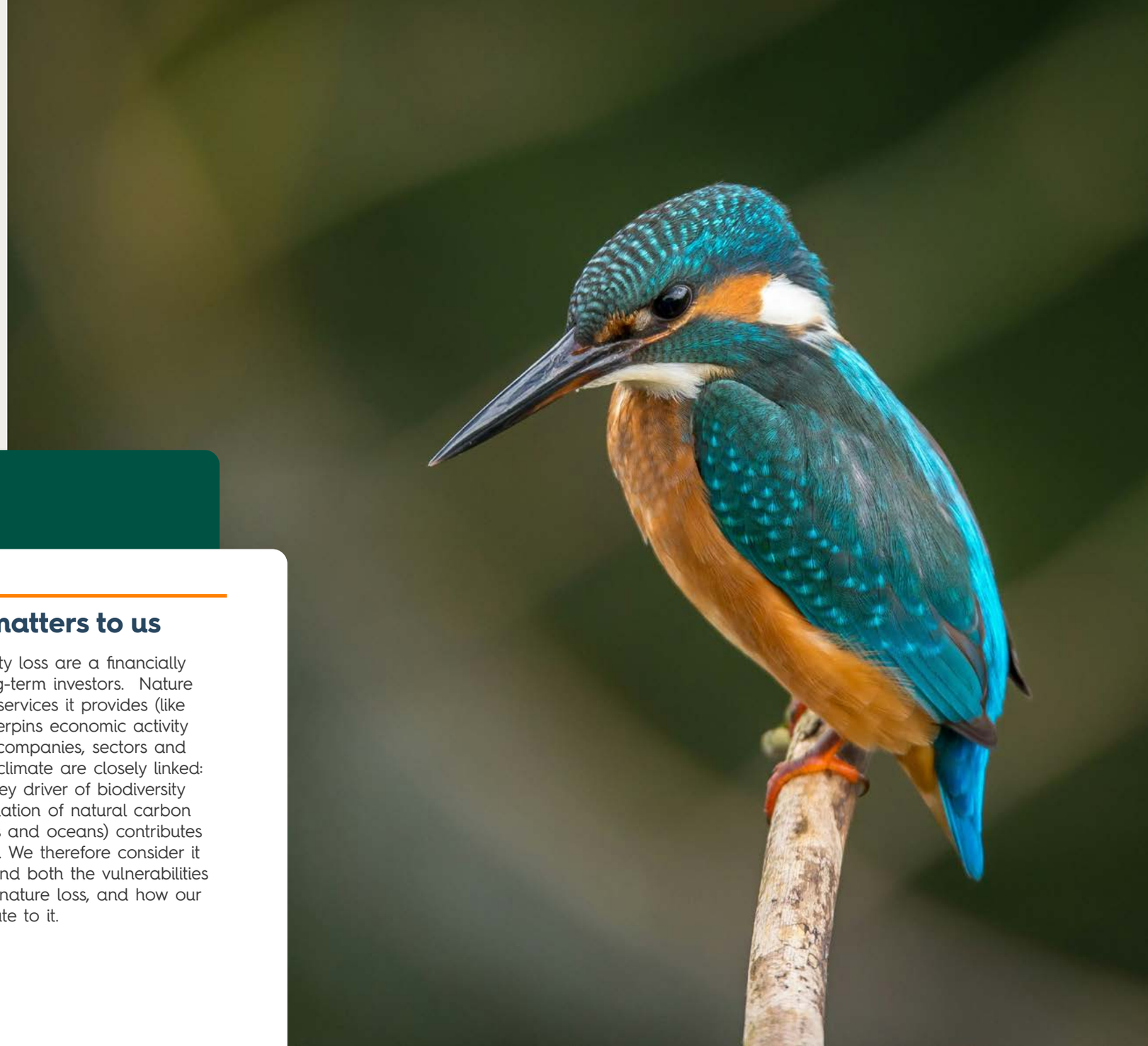

Nature

Why nature matters to us

Nature and biodiversity loss are a financially material issue for long-term investors. Nature - and the ecosystem services it provides (like soil and water) - underpins economic activity and the resilience of companies, sectors and markets. Nature and climate are closely linked: climate change is a key driver of biodiversity loss, while the degradation of natural carbon sinks (including forests and oceans) contributes to rising temperatures. We therefore consider it important to understand both the vulnerabilities of our investments to nature loss, and how our holdings may contribute to it.

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At a glance: our progress on nature

Similar to our work on social factors, a notable development in our approach to nature this year was the creation of a new framework for managing nature-related risks and opportunities. The framework brings our existing work into a more structured approach and sets out how we intend to identify, prioritise and address nature-related issues across our investments. Given the breadth of the topic, it also helps us focus initially on areas that are relevant to our portfolio and where we have credible ways to act. Our first Nature Position Paper brings this work together, setting out our current position and how we expect our approach to develop. We provide further detail later in this section.

We also continued to build our exposure to assets with relevant environmental characteristics. This included increasing our allocation to timberland through the appointment of a second specialist fund manager, bringing the amount managed across our timberland mandates to £312 million as of 31 March 2026. Sustainably managed forests can support carbon sequestration, biodiversity and other ecosystem services. However, these outcomes are not inherent to timberland investment and depend on how forests are managed. We therefore also set asset-class-specific expectations for our fund managers and continue to monitor their approach through regular reporting, supported by independent certification and third-party audits.

Alongside our investment activity, we continued to develop our stewardship and advocacy work on nature, which we provide more insight into on the rest of this page. Following the development of our nature framework, we have expanded our engagement activity and joined additional initiatives. Policy advocacy was more limited during the year, but we intend to develop this area as we embed the framework and identify where our involvement could be useful. We will report on further progress next year.

7

Companies directly engaged

We have continued to engage with companies in the nature space. Four of the companies we engaged directly work across the food and agriculture value chains. In our interactions with companies, we encourage stronger management of nature-related risks, including deforestation, water use and biodiversity loss. For example, following the publication of a memo on risks in UK food supply chains we, alongside other investors, spoke to two UK food companies to discuss the issues raised in the memo. These were fruitful discussions which offered more transparency on how these issuers are managing nature- and commodity-related risks in their supply chains.

In addition to our direct engagements, our main equity fund managers engaged with 28 companies on nature-related topics on our behalf.

5

Initiatives participated in

We participated in 5 collaborative initiatives across this year, including supporting collaborative investor engagement on nature-related issues through initiatives like Nature Action 100, an investor-led initiative focused on companies with significant impacts and dependencies on nature. Through this initiative, we met twice with one consumer goods company that is making good progress on a portfolio analysis of risks and opportunities around nature in its supply chains. Not all of the engagements within the initiative are progressing at the same pace, and we are working with the relevant investor groups to refine our engagement strategies and identify the most effective levers to ensure that our engagement remains targeted, constructive and impactful.

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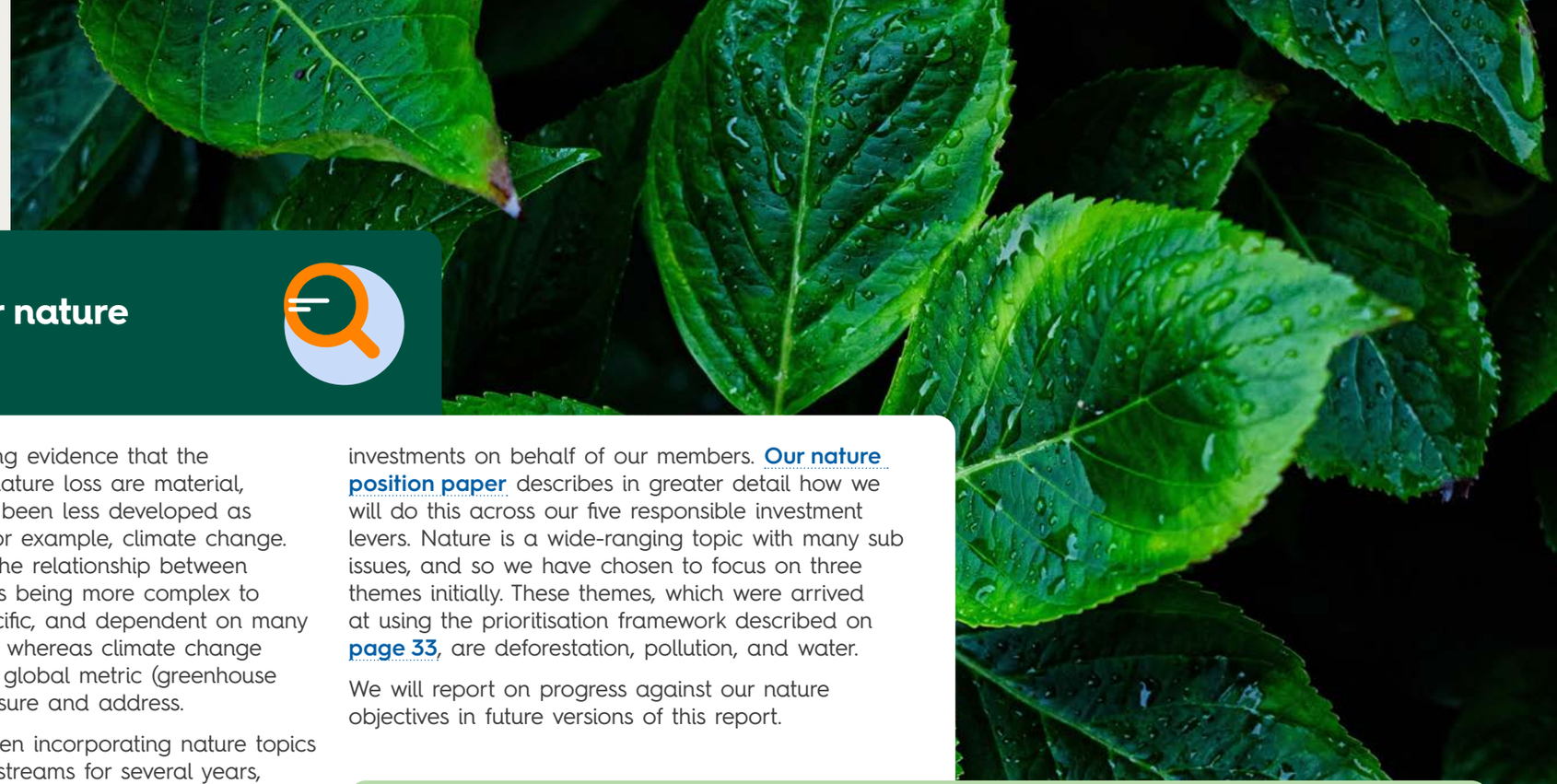

Case study

Developing our nature framework

While there is increasing evidence that the investment risks from nature loss are material, nature has historically been less developed as an ESG theme than, for example, climate change. This is largely due to the relationship between nature and investments being more complex to measure, location-specific, and dependent on many interconnected drivers, whereas climate change benefits from a single, global metric (greenhouse gas emissions) to measure and address.

That said, we have been incorporating nature topics into some of our workstreams for several years, particularly where we have data that highlights companies that have potentially high risk of negatively impacting nature and in our expectations to managers who will need to address nature risks in our portfolios particularly in certain asset classes like real estate. We have also factored nature risk into our asset allocation decisions: for example, we identified that wildfire risk and extreme weather were key features in timberland markets and considered them as part of our due diligence when appointing fund managers for our timberland strategies.

This year, we wanted to synthesise and formalise our approach to nature, and so we developed a nature investment framework.

This framework lays out our approach to considering and integrating nature-related risks and opportunities in the way that we manage investments on behalf of our members. Our nature position paper describes in greater detail how we will do this across our five responsible investment levers. Nature is a wide-ranging topic with many sub issues, and so we have chosen to focus on three themes initially. These themes, which were arrived at using the prioritisation framework described on page 33, are deforestation, pollution, and water.

We will report on progress against our nature objectives in future versions of this report.

The themes we focus on

Deforestation

Pollution

Water

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Case study

Assessing nature risks and impacts across our investments

As part of our new nature framework, and our commitment to continue assessing nature risks and impacts, we re-ran the assessment of nature-related risks in our portfolio which we first published in our 2023-24 Responsible Investment report.

We used the Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE) tool to identify the highest nature impacts and dependencies across Nest's public markets portfolios. ENCORE is an open-source tool developed by environmental NGOs that maps how economic activities interact with nature. We can use this insight to infer which of our investments might be exposed to nature-related risks.

ENCORE defines two ways in which economic activity can interact with nature and the so-called 'ecosystem services' that nature provides, like water, soil, and biomass. A business has a 'dependency' on nature when it relies on one or more of these services. Agriculture and farming, for example, have high dependencies on a range of ecosystem services, as farmers need quality soil, water, and pollination to grow crops and tend to animals. On the other hand, business activities can also impact nature as they are carried out. For example, a factory might produce waste that leaks into nearby rivers, reducing the quality of water and its stock of marine life. These are captured in the ENCORE analysis as 'pressures' on nature. ENCORE classifies impacts and dependencies along a five-point materiality scale, from very low to very high.

We analysed our investments across our public markets portfolios only – listed equities and bonds –, which represented around 68% of our total investments at the time of analysis. Private markets holdings were not in scope due to the challenges in obtaining the necessary data.

Key findings:

The results of the analysis are very similar to those identified in our first screening exercise in 2024. Across our publicly listed investments and assets under management (AUM) specifically:

- Every sector that we are invested in has dependencies and impacts on nature.
- Overall, assets representing 26% of AUM (2024: 31%) have at least one high or very high dependency on nature in their direct operations, meaning the company's own day-to-day activities (such as manufacturing or growing produce) rely significantly on nature to function. This increases to 95% (94% in 2024) when upstream tier 1 supply chains are considered, that is, when we also look at the companies that directly supply materials or services to those businesses. The dip in the direct figure largely reflects growth in our technology holdings (e.g. Nvidia, Apple, Microsoft), chip manufacturing itself has little direct dependency on nature, but the fabrication and mining behind it does, which is why the tier 1 figure has stayed broadly flat.
- Manufacturing, power, real estate, mining and human health & social work have the highest material dependencies on nature in their direct operations.
- Of the 25 ecosystem services assessed, water-related services (water flow regulation, water supply and water purification) are the most material dependency for the largest proportion of the investments we assessed: £18bn worth of equities and bonds, or c.39% of the portfolio, have a high or very high dependency on these water services (Figure 1).
- The companies in our portfolio most materially impact nature via the release, from their direct operations, of greenhouse gas emissions and other pollutants. These impacts are most material in heavy industry sectors such as manufacturing, power, mining, transport and construction.
- 41% (2024: 38%) of assets have at least one high or very high impact on nature in direct operations. This increases to 100% (2024: 99%) when upstream tier 1 supply chains are considered - that is, when we also look at the companies that directly supply materials or services to those businesses, rather than just the businesses themselves.



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Case study continued

Figure 1: Nest's investment exposure to sectors with a high or very high dependency on nature in direct operations, by top 10 ecosystem services. For instance, around £5bn of equity investments and around £2bn of bond investments in Nest's portfolio are highly or very highly reliant on water flow regulation in their direct operations and would be materially affected if this was disrupted.

Figure 1: Nest's investment exposure to sectors with H/VH dependencies on nature in direct operations (Top 10 ecosystem services)

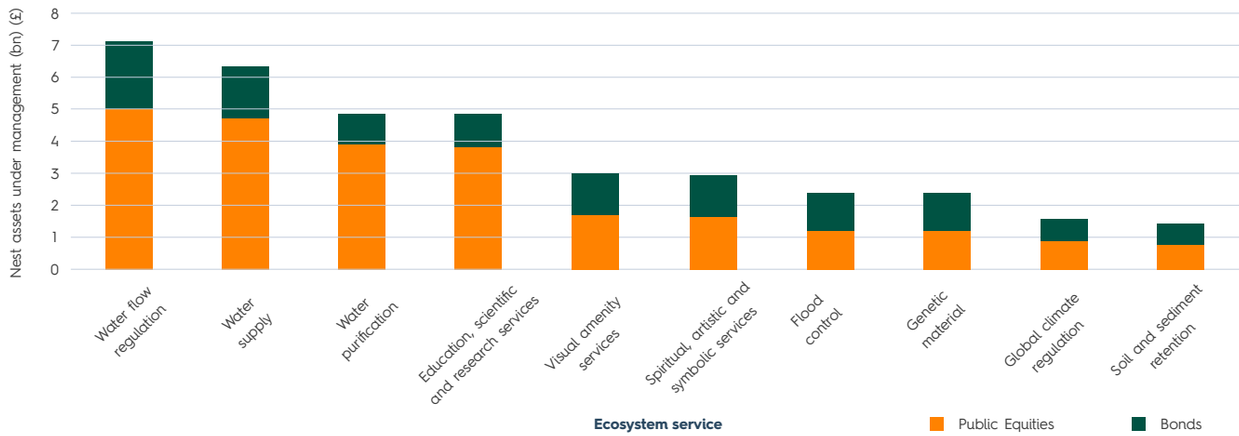
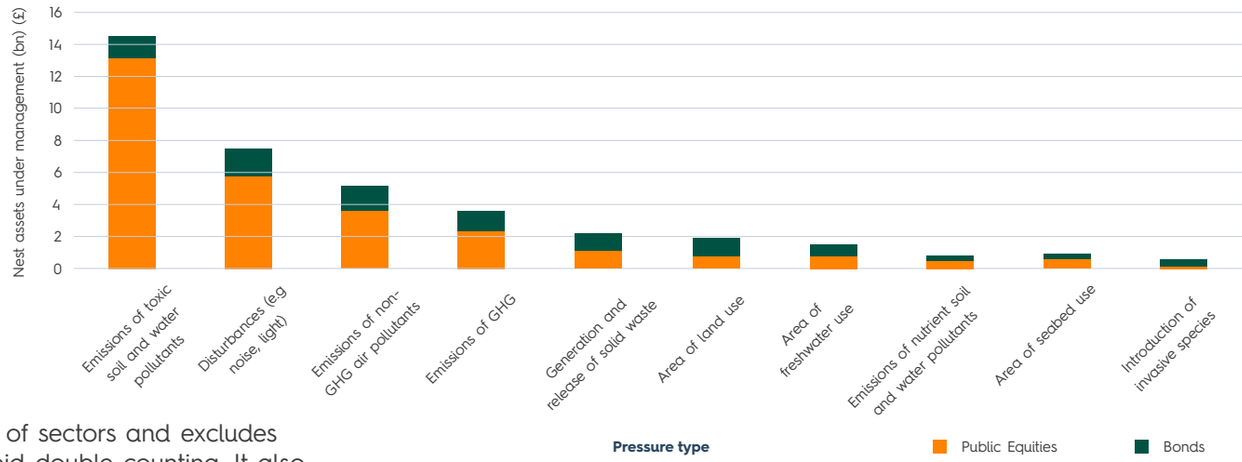


Figure 2: Nest's investment exposure to sectors with a high or very high pressure on nature in direct operations, by top 10 pressures. For instance, around £13bn of public equity investments and over £1bn of bond investments in Nest's portfolio are highly or very highly contributing to emissions of toxic soil and water pollutants through their direct operations.

Figure 2: Nest's investment exposure to sectors with H/VH pressures on nature in direct operations (Top 10 pressures)



Limitations and next steps:

ENCORE only covers direct dependencies and impacts of sectors and excludes dependencies and impacts across supply chains to avoid double counting. It also does not account for geographic or company-specific differences. As part of our new nature framework, we have set expectations for all managers to assess and disclose to us key nature risks and dependencies in the portfolios they manage for Nest to help us improve our understanding and mitigation of natural capital risks.

Source: ENCORE, Nest. Data as at May 2026

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Corporate governance



Why corporate governance matters to us

Good corporate governance is central to our responsible investment approach. We view governance as the mechanism through which companies set direction, oversee risk and ensure accountability - and as the foundation that underpins how they manage environmental and social risks and opportunities.

We believe that good corporate governance increases a company's chances of sustaining long-term economic success, and in turn, better investment outcomes for our members. We also see it as a critical enabler of effective stewardship. We rely on strong company disclosures, shareholder rights, a communicative board, among other things, to enable the assessment of material issues, constructive engagement with companies and escalation where necessary.

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At a glance: our progress on corporate governance

Corporate governance remained a substantial part of our responsible investment activity this year. We continued to use voting as our principal means of holding company boards to account, with governance matters such as board composition, executive pay, audit, risk oversight and shareholder rights accounting for a significant share of the resolutions we reviewed. We also updated our guidelines ahead of the 2026 Annual General Meeting (AGM) season to reflect strengthened expectations we have for publicly listed companies in response to developments in regulation, research and market practice and emerging risks, including on cyber security, AI and director accountability. We discuss this in more detail on page 50 on voting.

This year, we also made the role of governance more explicit across our wider responsible investment approach. Our Position on Social Factors recognises robust corporate governance as the foundation underpinning our three social pillars. Effective board oversight, clear accountability and appropriately designed incentives influence how well companies manage social risks and opportunities in practice. The same principle applies across our climate and nature work, where progress depends in part on boards overseeing relevant risks, setting direction and being accountable for delivery.

Our work extended beyond the governance of individual companies. We continued to advocate for capital markets that combine access to investment with appropriate protections for investors and accountability to shareholders. Through our participation in the Investor Coalition for Equal Votes (ICEV), we challenged the expansion of unequal voting structures, engaged with banks and advisers involved in bringing companies to public markets, and contributed to consultations on listing standards. This work illustrates how we can use several investment levers together, combining company engagement, voting and advocacy to address an issue consistently across the investment system. We provide further detail on this work and the progress made below.

5
Companies directly engaged

We engaged directly with five investee companies on governance issues over the year, focusing on executive remuneration, board accountability and shareholder rights. Corporate governance was also a significant focus for our main listed equity fund managers, who engaged 227 companies on governance issues on our behalf during the year.

Much of our direct engagement was voting-led. Where we overrode our fund managers to vote against management on corporate governance issues we considered material, we followed up directly with the company to explain our position. We provide examples of this approach later in the report.

Progress has been challenging to measure at this stage. However, the companies we approached were responsive, and we consider this a good start to the dialogue. We will continue to monitor these engagements closely, particularly as the broader direction of travel across the market on governance and shareholder rights is not yet fully aligned with our expectations. As a result, we plan to do more direct stewardship on governance issues this year.

4
Policy engagements conducted

We continued to engage policymakers on a range of corporate governance topics, including corporate reporting and executive remuneration.

One notable example was our participation in a roundtable with the Department for Business and Trade, convened through Pensions UK, on proposed changes to directors' remuneration and corporate governance reporting. We supported reducing reporting that is duplicative or of limited use, while retaining the disclosures and shareholder rights most important for investor oversight, including the annual advisory vote on remuneration.

The outcomes of this work remain pending, and we will continue to engage as these reforms develop, alongside our work through the investor initiatives described below.

13
Initiatives participated in

As listing rules and corporate governance regulations change across global markets, we see increasing value in working with other investors to set consistent expectations and make the case for shareholder rights, investor protections and effective corporate accountability. We participated in 13 governance-related investor initiatives during the year. These included the Governance for Growth Investor Campaign, which we joined this year and which seeks to ensure that debates about UK market competitiveness take proper account of investor protections and the conditions needed for long-term investment. We look forward to contributing as the campaign develops.

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Promoting equal voting rights

Nest believes proportionate 'one share, one vote' structures are a cornerstone of good corporate governance because they help ensure boards remain accountable to shareholders. Unequal voting structures concentrate control in the hands of a small group, weakening the checks and balances that protect our members' savings and reducing our ability to hold companies to account on the issues that matter most to them.

Nest is a member of the Investor Coalition for Equal Votes (ICEV), a global investor coalition co-founded by Railpen and the Council of Institutional Investors (CII), now representing close to $5 trillion in assets under management. The coalition's purpose is to promote capital structures with proportionate 'one share, one vote' rights and to push back against the growing prevalence of dual class share structures (DCSS). It pursues this mission through private engagement with companies preparing for an initial public offering (IPO), the process of a company listing its shares on a public stock exchange for the first time along with their advisers (banks and legal firms), proxy advisers, stock exchanges, policymakers and regulators. This work is supported by published research and case studies that demonstrate how unequal voting rights weaken board accountability and erode long-term shareholder value.

Over the past year, ICEV progressed its work on several fronts. During the 2025 AGM season, it asked formal questions at the annual meetings of major investment banks and IPO advisers including UBS, RBC, Citigroup and Wells Fargo pressing them on the risks of dual-class structures, and secured engagement meetings with Bank of America, Deutsche Bank and Barclays.

The coalition wrote to a number of venture capital (VC) and private equity (PE) firms, who are among the most significant early backers of companies heading towards an IPO, and are often instrumental in shaping a company's capital structure including whether it lists with disproportionate voting rights.

Over the past year, the coalition wrote to a number of the most active VC and PE IPO backers to make the investor case for proportionate 'one share, one vote' structures, or at a minimum a time-based sunset clause of seven years or less. To reinforce these conversations, ICEV shared its Voting on Voting Rights research, which sets out how 31 of the world's largest investors approach voting on companies with dual-class structures. The research helps founders and investors understand the practical implications for a portfolio company's future relationship with institutional investors, should it list with unequal voting rights.

ICEV also wrote a response to the discussion paper published by the London Stock Exchange on the future of its Alternative Investment Market (AIM), calling for any dual-class shares admitted to the market to carry a sunset clause of seven years or fewer, and began preparing fresh letters to a new cohort of high-profile pre-IPO companies. The London Stock Exchange published feedback summarising the responses received on its Discussion Paper and set out a roadmap for the future development of AIM. The response included several deregulatory changes to the AIM Rules, the group hopes to continue the dialogue with regulators on DCSS, despite the asks of the ICEV not being adopted.

More broadly, we are increasingly seeing shareholder rights come under pressure as listing rules and governance standards are relaxed across a number of markets. In competing to attract IPOs, several exchanges and regulators have moved to permit dual class share structures and dilute investor protections. As a long-term, largely passive investor, Nest will likely be invested in these markets, so weaker accountability directly reduces our ability to hold boards to account and protect our members' savings. This is why we will continue the dialogue through ICEV and our wider networks to defend proportionate voting rights and ensure the shareholder voice is maintained as these markets evolve.



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In addressing and implementing our ESG priorities – climate change, social factors, nature, and corporate governance - and delivering on our responsible investment objectives across our investment approach, we take action through four key areas: asset allocation; manager selection and monitoring; stewardship; and advocacy, with risk monitoring sitting across all four areas. These activities do not sit in isolation; they complement each other as part of a well-rounded approach.



Risk monitoring

We monitor, prioritise and manage ESG risks alongside other financial risks and opportunities across our portfolios. This risk monitoring informs how we deploy the levers below.



Asset allocation

We consider ESG risks and opportunities as part of our asset allocation decisions and look for opportunities to create or access investment strategies that address material ESG risks and opportunities across the portfolio.



Manager selection and monitoring

Fund managers' approach to responsible investment is a key part of our manager selection and monitoring process. We work with our fund managers on an ongoing basis to ensure their approach continues to evolve in line with our pre-defined expectations.



Stewardship

We use our investor influence and ownership rights, including engagement and voting, to address material ESG risks and opportunities in our portfolio and to encourage better long-term outcomes at the companies and assets we invest in.



Advocacy

We use our voice in the broader market to influence public policy, market standards and norms to help manage systemic risk and strengthen markets so that our investments can operate within a properly regulated, transparent and sustainable system.

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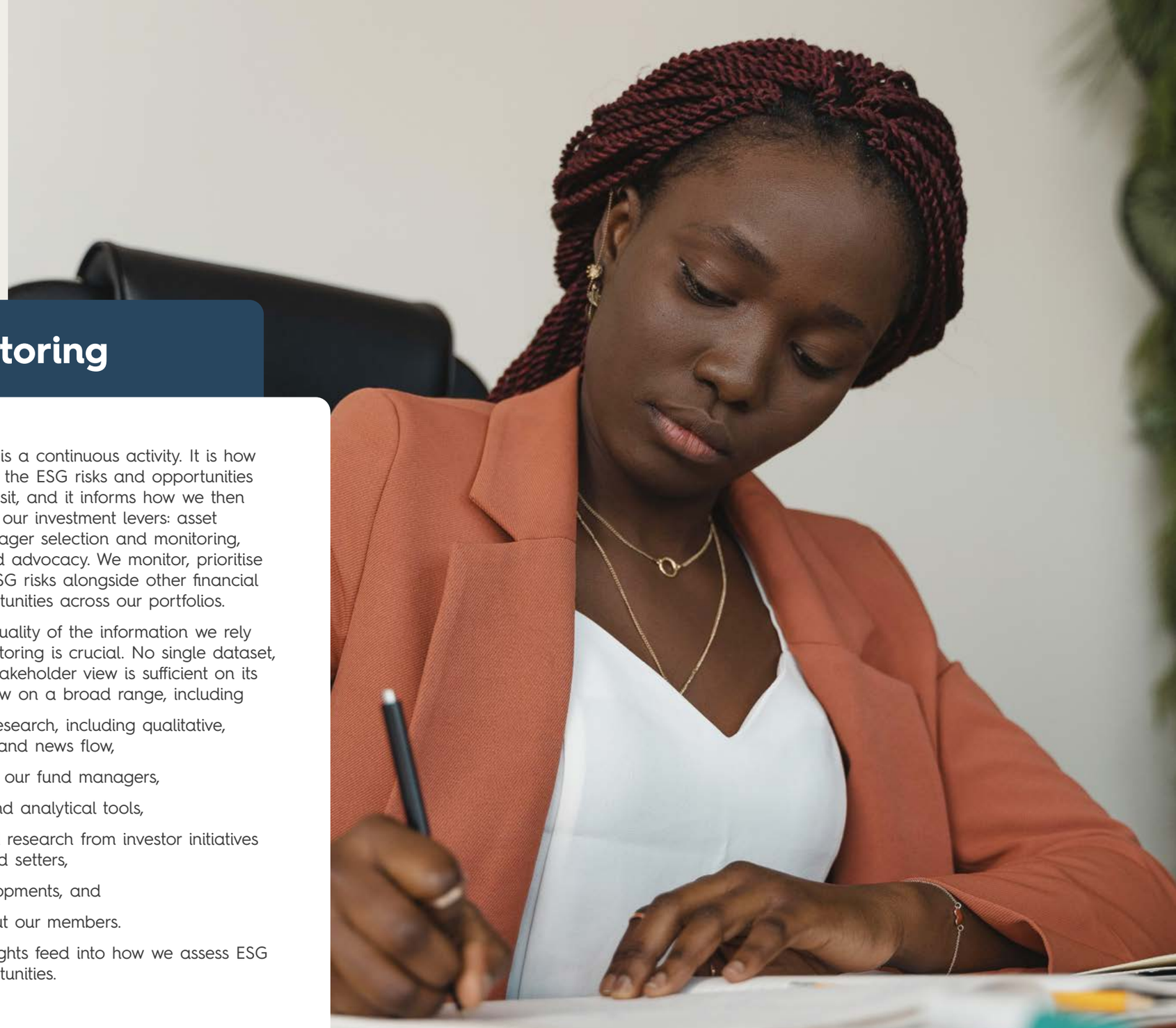
Risk monitoring



Risk monitoring is a continuous activity. It is how we know where the ESG risks and opportunities in our portfolio sit, and it informs how we then deploy each of our investment levers: asset allocation, manager selection and monitoring, stewardship and advocacy. We monitor, prioritise and manage ESG risks alongside other financial risks and opportunities across our portfolios.

The type and quality of the information we rely on for risk monitoring is crucial. No single dataset, framework or stakeholder view is sufficient on its own, so we draw on a broad range, including

- third-party research, including qualitative, quantitative and news flow,
- insights from our fund managers,
- ESG data and analytical tools,
- updates and research from investor initiatives and standard setters,
- policy developments, and
- insights about our members.

All of these insights feed into how we assess ESG risks and opportunities.

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Identifying and prioritising ESG issues

To support us with identifying ESG-related risks and opportunities - and deciding on which ones we should prioritise - we use a structured prioritisation framework.

We use the framework to evaluate potential issues to prioritise against three pillars:

- **Risk and return considerations:** The extent to which there is a clear investment case for focusing on the issue, including the ways in which it may affect risk-adjusted returns
- **Broader value to members:** The extent to which the issue has a clear link to member interests, recognising that members are both beneficiaries of investment returns and part of the real economy affected by system-level outcomes
- **Actionability:** The extent to which we have credible routes to act, either directly or via partners, and whether action is likely to be proportionate and effective

The full details of this prioritisation framework can be found in our Responsible Investment Implementation Policy, and the following case study provides an illustration of how the framework helped us to identify water as a material, actionable ESG issue for Nest.



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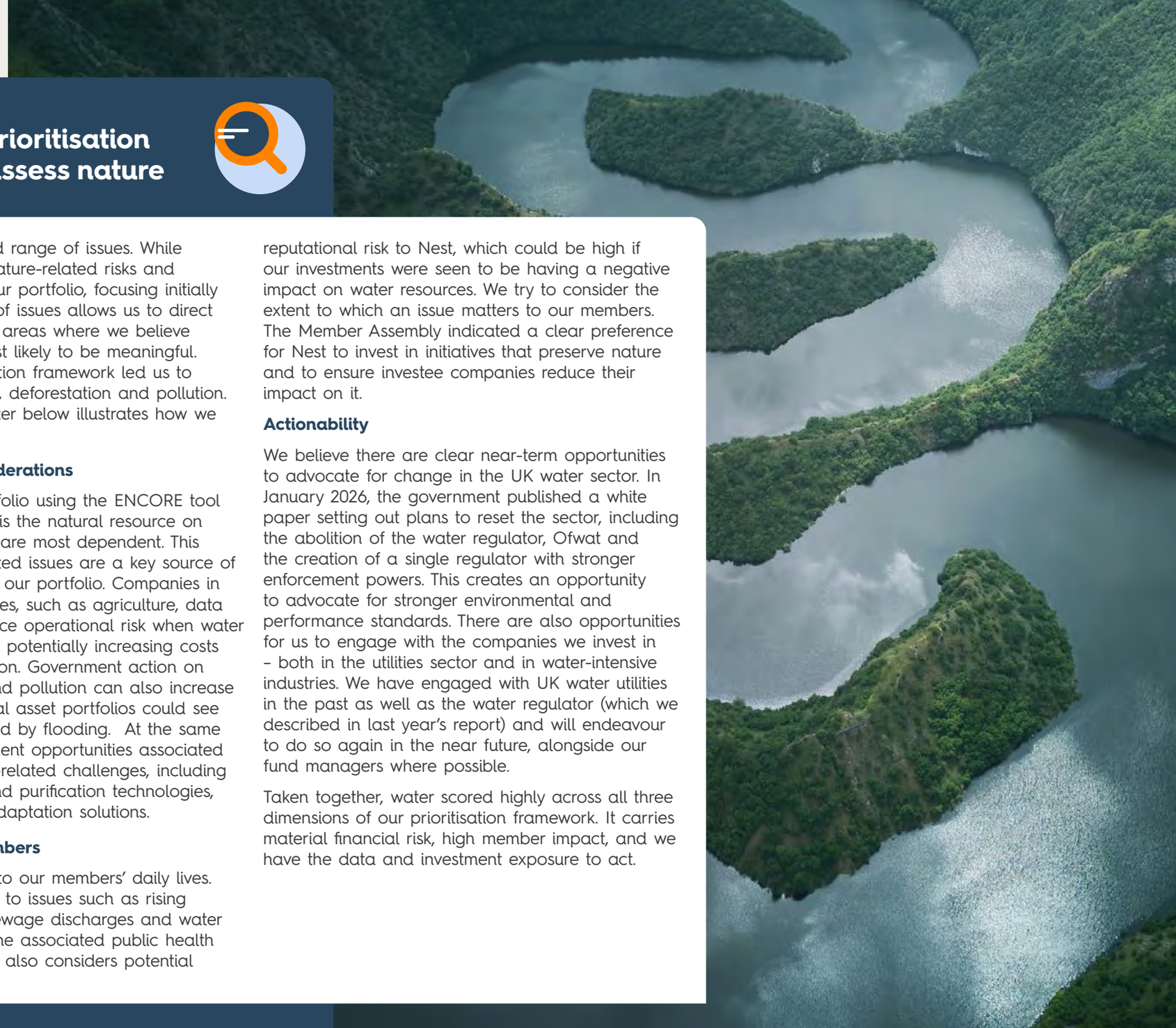
Applying our prioritisation framework to assess nature



Nature covers a broad range of issues. While we seek to consider nature-related risks and opportunities across our portfolio, focusing initially on a smaller number of issues allows us to direct our resources towards areas where we believe our involvement is most likely to be meaningful. Applying our prioritisation framework led us to focus initially on water, deforestation and pollution. The assessment of water below illustrates how we reached this decision.

Risk and return considerations

We analysed our portfolio using the ENCORE tool and found that water is the natural resource on which our investments are most dependent. This means that water-related issues are a key source of risk for many assets in our portfolio. Companies in water-intensive industries, such as agriculture, data centres and textiles, face operational risk when water supplies are disrupted, potentially increasing costs and affecting production. Government action on water management and pollution can also increase regulatory risk. Our real asset portfolios could see their valuations affected by flooding. At the same time, there are investment opportunities associated with addressing water-related challenges, including water management and purification technologies, flood resilience and adaptation solutions.

Broader value to members

Water is fundamental to our members' daily lives. Members are exposed to issues such as rising water bills, outages, sewage discharges and water pollution, along with the associated public health effects. Our framework also considers potential reputational risk to Nest, which could be high if our investments were seen to be having a negative impact on water resources. We try to consider the extent to which an issue matters to our members. The Member Assembly indicated a clear preference for Nest to invest in initiatives that preserve nature and to ensure investee companies reduce their impact on it.

Actionability

We believe there are clear near-term opportunities to advocate for change in the UK water sector. In January 2026, the government published a white paper setting out plans to reset the sector, including the abolition of the water regulator, Ofwat and the creation of a single regulator with stronger enforcement powers. This creates an opportunity to advocate for stronger environmental and performance standards. There are also opportunities for us to engage with the companies we invest in – both in the utilities sector and in water-intensive industries. We have engaged with UK water utilities in the past as well as the water regulator (which we described in last year's report) and will endeavour to do so again in the near future, alongside our fund managers where possible.

Taken together, water scored highly across all three dimensions of our prioritisation framework. It carries material financial risk, high member impact, and we have the data and investment exposure to act.

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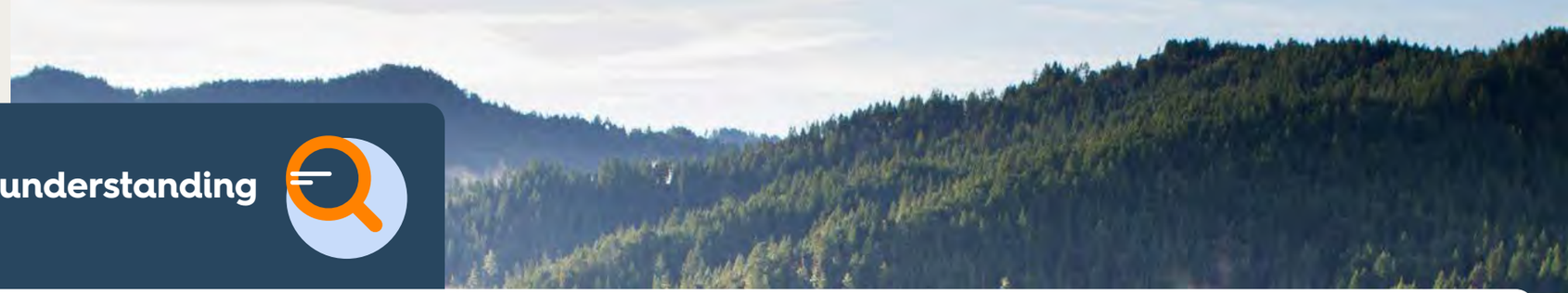

Case study

Enhancing our understanding of materiality

Understanding the financial materiality of different themes is a crucial factor in our approach to identifying which sustainability issues we should address. To support our assessment of this, this year we carried out a review of relevant academic literature on the financial materiality of ESG topics, as well as practitioner-led research, including materials from our external managers JP Morgan, BlackRock and Amundi. We also started a project with another one of our fund managers, Lombard Odier, given their expertise on thematic investing and in-house capabilities, to help us with building an approach to assessing financial materiality.

This research focused on materiality from the bottom up - at the level of individual companies and assets - rather than systemic risks that materialise across the portfolio as a whole. As a diversified investor exposed to a broad cross-section of the global economy, we cannot simply 'diversify away' these systemic risks, meaning they remain important to our members' long-term financial outcomes. However, research on systemic risks is still emerging and currently mostly limited to climate change. The findings below should therefore be read as one input into how we assess materiality, not the whole picture.

At a high level, our review found that ESG issues do matter financially. For instance, governance failures, environmental incidents and labour risks can damage company value through fines, disruption and loss of trust. However, not all ESG issues are equally material. Financial risks tend to be concentrated in a small number of issues, which highlights the importance of having a process in place for prioritising those most relevant to our investments.

Climate risk provides a useful example. It is financially material for some companies, sectors and regions, but its impact varies considerably depending on the nature of the asset and the risks involved. Physical risks, such as water scarcity, soil degradation and insurance withdrawal, tend to be highly localised, concentrated in specific regions and assets rather than evenly spread. Transition risks are also unevenly priced across sectors and geographies. For example, carbon-intensive issuers generally face higher borrowing costs, particularly in European investment-grade bond markets, while equity markets have priced transition risk more heavily since around 2014, especially in Europe.

Our review also highlighted the limitations to assessing financial materiality. Most of the available ESG research is backward-looking, while predicting future impacts remains challenging due to data gaps, methodological constraints and uncertainty around long-term scenarios. Information on the materiality of nature and social risks is the least developed, due to limited firm-level evidence and inconsistent measurement.

That said, the picture is improving. **Recent empirical work** indicates that biodiversity loss and nature degradation pose direct financial risks, with acute biodiversity-related events leading to statistically significant widening of corporate bond spreads, particularly in biodiversity-sensitive sectors such as materials, chemicals and paper.

The finding that shaped our thinking most is that some ESG factors can influence a company's risk and resilience, but do not automatically translate into relative performance. They are useful for understanding how exposed a company is and how well it is likely to withstand disruption but are less helpful when acting as predictors of excess returns when applied mechanically.

These findings reinforce how important it is to challenge our fund managers about the quality of their own analysis, and to stay disciplined about what current tools can and cannot tell us. Company-level materiality is only part of the picture, though. Our approach will need to hold both perspectives together: the bottom-up assessment of how ESG issues affect individual companies and assets, and the system-level view of risks that affect the economy as a whole and therefore the whole portfolio.

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Screening and exclusions

Where our monitoring identifies a risk we cannot manage in any other way, restricting investment is one of the tools available to us. As a long-term investor, our preference is to remain invested in companies and use our ownership rights to influence corporate behaviour, and we believe this approach can deliver better outcomes for our members and for markets more broadly. However, we may restrict our investment where we judge that: a particular exposure is fundamentally misaligned with our responsible investment objectives; the risks of remaining invested clearly outweigh the potential benefits; and stewardship is unlikely to be an effective route to change. This can apply before we invest, by not buying a security in the first place (an exclusion), or after, by selling a holding that no longer meets our standards (which we refer to as 'divestment').



Case study

Enhancing our exclusions policy

This year, we reviewed and updated our approach to exclusions. We improved how we monitor our fund managers' implementation of our exclusion criteria, and consolidated all our criteria - including on tobacco, controversial weapons, violations of the UN Global Compact principles - into a single published policy, our Investment Policy on Exclusions.

We also updated our list of fossil fuel exclusions, which form part of this policy. Our fossil fuel exclusions focus on companies that are heavily involved in activities that are not aligned with the goals of the Paris Agreement. Companies involved in the production or extraction of these fossil fuels could lose significant value as the world transitions to a lower-carbon economy and demand for their products falls; this could expose our portfolio to what's known as 'stranded asset risk'.

We expanded our exclusion criteria to include companies involved in the production of metallurgical coal, as well as thermal coal. Metallurgical, also called 'coking coal', is primarily used in the steelmaking sector, a key source of industrial emissions globally.

As greener methods of steel production develop, new metallurgical coal mines face transition risks as the sector shifts to alternative production methods. We also strengthened our coal screens by adding absolute coal production and power generation thresholds to the existing revenue intensity thresholds, which we believe provide a more complete picture of a company's true involvement in the extraction and use of coal and its real impact on the environment.

We continue to engage with fossil fuel companies that we hold, encouraging them to be responsible stewards of the assets they operate by working to minimise operational emissions and to employ a disciplined approach to new oil and gas projects. See page 57 for a case study on our engagement with BP on these topics.

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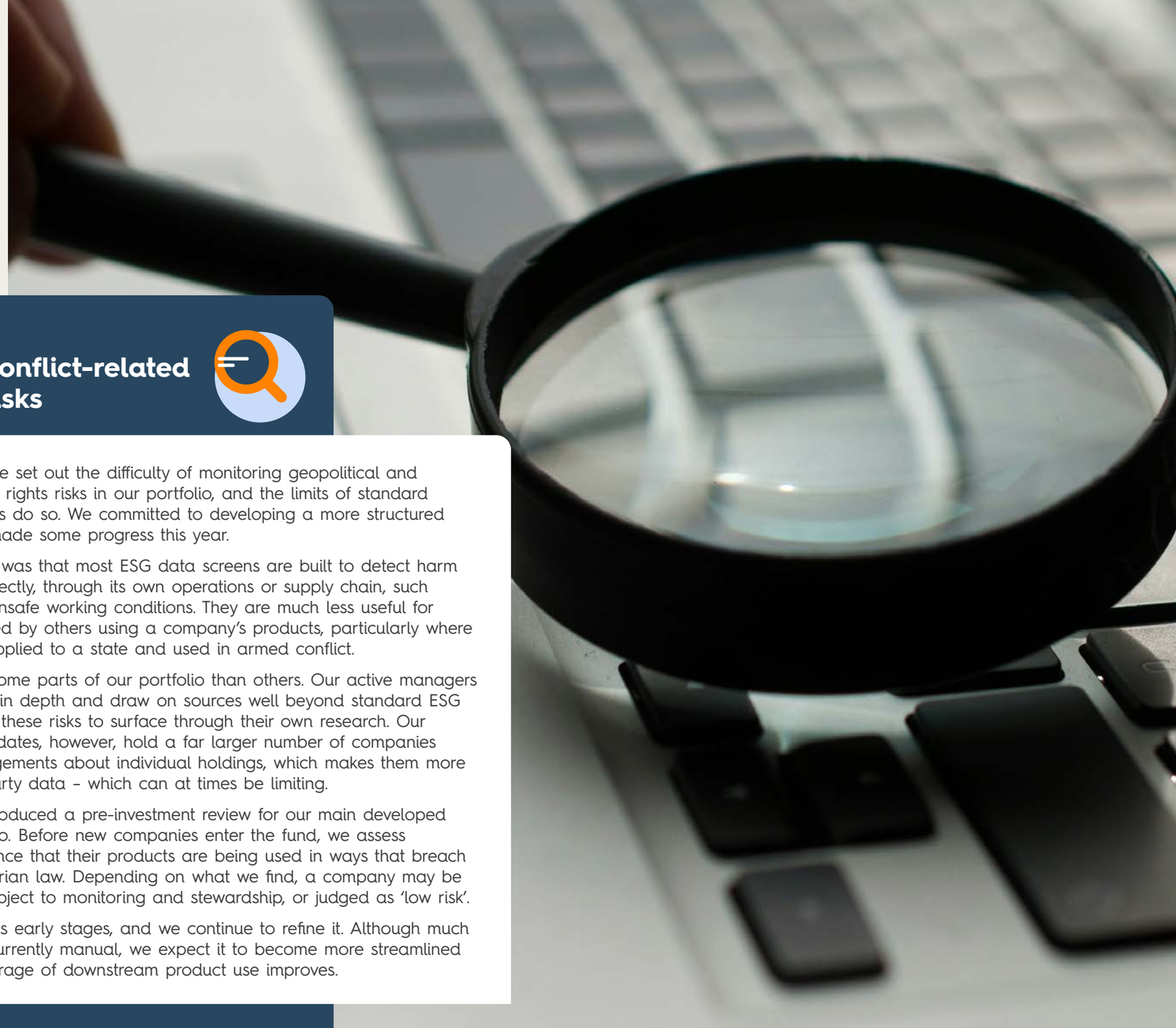

Case study

Screening for conflict-related human rights risks

In last year's report, we set out the difficulty of monitoring geopolitical and conflict-related human rights risks in our portfolio, and the limits of standard ESG data in helping us do so. We committed to developing a more structured approach and have made some progress this year.

The gap we identified was that most ESG data screens are built to detect harm a company causes directly, through its own operations or supply chain, such as labour abuses or unsafe working conditions. They are much less useful for identifying harm caused by others using a company's products, particularly where those products are supplied to a state and used in armed conflict.

This matters more in some parts of our portfolio than others. Our active managers analyse each holding in depth and draw on sources well beyond standard ESG screens, so we expect these risks to surface through their own research. Our systematic equity mandates, however, hold a far larger number of companies and do not make judgements about individual holdings, which makes them more dependent on third-party data – which can at times be limiting.

We have therefore introduced a pre-investment review for our main developed markets equity portfolio. Before new companies enter the fund, we assess whether there is evidence that their products are being used in ways that breach international humanitarian law. Depending on what we find, a company may be excluded, admitted subject to monitoring and stewardship, or judged as 'low risk'.

The process is still in its early stages, and we continue to refine it. Although much of the assessment is currently manual, we expect it to become more streamlined as data provider coverage of downstream product use improves.

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Asset allocation

Asset allocation is a significant driver of long-term risk-adjusted returns, and responsible investment considerations play an important role in how we assess opportunities across asset classes. This includes considering how ESG risks and opportunities may affect the expected characteristics of an asset class over time, and whether new allocations can help build a more resilient and diversified portfolio for our members.



Case study

Integrating climate risk into asset allocation decisions

We monitor how climate risk is affecting our current portfolio on an ongoing basis, so we can identify and be ready to respond to risks as they develop.

Our in-house investment team meets regularly to review market conditions, economic developments and the risks and opportunities across our portfolio. As part of this, we monitor how different asset classes may be affected under adverse climate scenarios, including both transition risks, such as the repricing of carbon-intensive assets, and physical risks, such as the impact of extreme weather on supply chains, commodity prices and economic output.

To support this, we maintain an asset class dashboard which monitors how likely it is each asset class will meet our investment objectives. The dashboard incorporates data from the Aladdin risk platform to show how asset class performance might be impacted under severe climate transition and physical risk scenarios. We describe this approach in more detail in our annual Task Force on Climate-related Financial Disclosures (TCFD) report. Where we identify an asset class with increasing climate risk exposure, we discuss the most appropriate course of action, whether that is adjusting our allocation, setting expectations for our fund managers, or using stewardship to address underlying risks.

For example, at a recent meeting, the team discussed the potential for the El Niño[4] weather cycle to disrupt agricultural production in the second half of the year, with knock-on effects for food prices and inflation, particularly in emerging markets. This is the kind of indirect route through which physical climate risk can affect portfolio returns in practice. Insights like this feed directly into our assessment of the risk and return outlook for asset classes such as emerging market debt and equities, where exposure to climate-sensitive sectors and geographies is more concentrated.

4. El Niño is a natural climate pattern characterised by unusually warm ocean surface temperatures in the central and eastern tropical Pacific. It typically occurs every 2 to 7 years, disrupting global weather and temporarily driving up average global temperatures. An El Niño cycle was declared in June 2026 and forecasts suggest it is likely to be a very strong event, potentially the highest on record.

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Case study

Climate-aware capital market assumptions project

Alongside this ongoing monitoring, we also work to embed climate risk into the long-term assumptions that feed our strategic asset allocation decisions.

Our Long-Term Investment Strategy team use long-term capital markets assumptions (CMAs) to understand how different macroeconomic scenarios, for example, higher future interest rates or inflation expectations, could affect investment performance across different asset classes over different time horizons. We are looking to enhance our CMAs to understand how different climate change pathways could impact future risks and returns across our portfolios.

This will help us build a clearer understanding of how physical risks, such as extreme weather, and transition risks, as well as changing consumer preferences and technological developments, could affect the resilience and long-term attractiveness of different asset classes.

We are in the process of procuring a provider to supply us with climate change scenarios that we can feed into our CMAs. We are looking for a suite of scenarios that capture a broader range of future climate pathways - from an orderly transition to a world with higher temperature warming and greater economic disruption.

Case study

New investment strategy supporting the transition to a lower-carbon economy

When making new investments, we consider whether the allocation could present an opportunity to advance our ESG objectives while providing attractive risk-adjusted returns. For example, this year, we committed £200 million to IFM Investors' NextGen Infrastructure Credit strategy - a growth credit strategy that provides loans to companies building the physical assets and technologies needed to support the transition to a lower-carbon economy. The strategy targets growth-stage businesses across developed markets, including the UK, that have progressed beyond early-stage risk and have proven, commercially viable technologies, but remain underserved by traditional infrastructure debt markets. Target sectors include power and energy, sustainable transportation, digital and circular economy infrastructure, and industrial innovation.

The strategy offers attractive risk-return characteristics and diversifies our existing infrastructure debt portfolio, while also contributing directly to climate solutions by financing the technologies and infrastructure expected to be central to the energy transition.

As a cornerstone investor in this strategy, we had the opportunity to seed a new product and help unlock wider capital flows from other institutional investors, amplifying the potential impact beyond our own commitment. We look forward to reporting on how the strategy is progressing next year.

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Manager selection and monitoring

Once we have decided which asset classes and type of strategy to invest in, we need to ensure that we select the right fund managers to invest on our behalf, which includes a manager that can meet our expectations on responsible investment and stewardship. Once appointed, we monitor and engage with our managers on an ongoing basis.

Fund manager selection

Responsible investment is a key feature in the search and selection of new fund managers. We look for managers who can demonstrate that ESG considerations are systematically incorporated into their investment analysis, decision-making and stewardship activities, where relevant. The responsible investment requirements we expect of potential fund managers are reflected in the evaluation documents we use to run the selection process - such as questionnaires that fund managers are required to complete to bid to manage money on our behalf - and the detailed assessments we carry out before appointing a manager, known as due diligence. These are tailored to the relevant asset class and the most relevant risks and opportunities within that asset class.



Case study

Selecting a new emerging market equities fund manager

This year's search for a new fund manager to manage our emerging markets equity mandate illustrates our approach to incorporating ESG issues into the selection of new fund managers. Following an internal review, we concluded that we wanted stronger ESG assessments and stewardship for this asset class, so we decided to move the allocation from a systematic approach to an active, fundamental, discretionary approach. This allows for more selective investments in companies with strong ESG characteristics and growth prospects.

We launched the competitive tender process for the emerging markets equity mandate in June 2025, in which ESG and stewardship formed a key part of a multi-stage evaluation. We evaluated managers on key questions including:

- Their approach to integrating ESG considerations in the investment process, and how this differs for emerging markets compared with developed markets
- Their philosophy on engaging with corporates in emerging markets and how this benefits the long-term investment performance
- Their RI and stewardship resource and split across regions, and how stewardship teams work with equity analysts and portfolio managers
- Their approach for prioritising themes and companies to engage with, setting and tracking engagement objectives and assessing the effectiveness of engagement
- Their approach to escalating engagement
- Their approach to voting in emerging markets
- Their approach to systemic stewardship, meaning stewardship aimed at risks that affect whole markets rather than individual companies

Throughout the tender process, Wellington emerged as the right fit to manage this mandate. We felt that they brought strong stock-selection expertise, disciplined risk management, and deep integration of ESG and climate research - all closely aligned with Nest's investment and stewardship objectives.

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Setting expectations of our fund managers

Reviewing fund managers' approaches to responsible investment and stewardship doesn't stop with their appointment. Engaging with our existing fund managers to ensure they continue to evolve their approach in line with best practice for their asset class is a core part of our work. We set expectations that are tailored to each individual fund manager and vary depending on the market and asset class. These expectations may be formally set out in the legal agreements we hold with each fund manager, such as Investment Management Agreements (IMAs) or agreed separately.



Case study

Setting expectations for our new US private credit manager

In July 2025, we completed due diligence for a new US private credit manager. ESG integration in private credit has historically been challenging, and our search made clear that market practice differs considerably by region, with European private credit being further ahead than the US on ESG. This shaped how we assessed the field, and we judged the bids against what is realistically achievable in that market. Once we were satisfied the successful manager met our baseline requirements for that asset class, we set out expectations for further development as a condition of proceeding with the appointment, covering the following areas:

- **Governance:** We asked the manager to consider creating a dedicated role to translate guidance from its ESG Committee into practical tools for the investment teams, and to check that those tools are consistently applied when assessing potential deals.
- **Initial due diligence:** We highlighted areas where this could be strengthened, including adding context on how the company operates relative to industry best practices on any flagged ESG issues and developing sector-specific risk management frameworks.
- **Climate:** We asked the manager to commit to providing Private Markets Decarbonization Roadmap (PMDR) reporting, carbon emissions estimates and other climate data based on information they are able to gather through borrowers and private equity partners.
- **Ongoing monitoring:** We suggested we'd like to see the annual monitoring questionnaire sent to lenders to more closely align with the initial due diligence assessment. This should ensure ongoing monitoring of any issues that may have been identified pre-investment and help the manager select its engagement priorities.

The manager acknowledged these requests and agreed to engage with us on them over time. As a result, we proceeded with their appointment.

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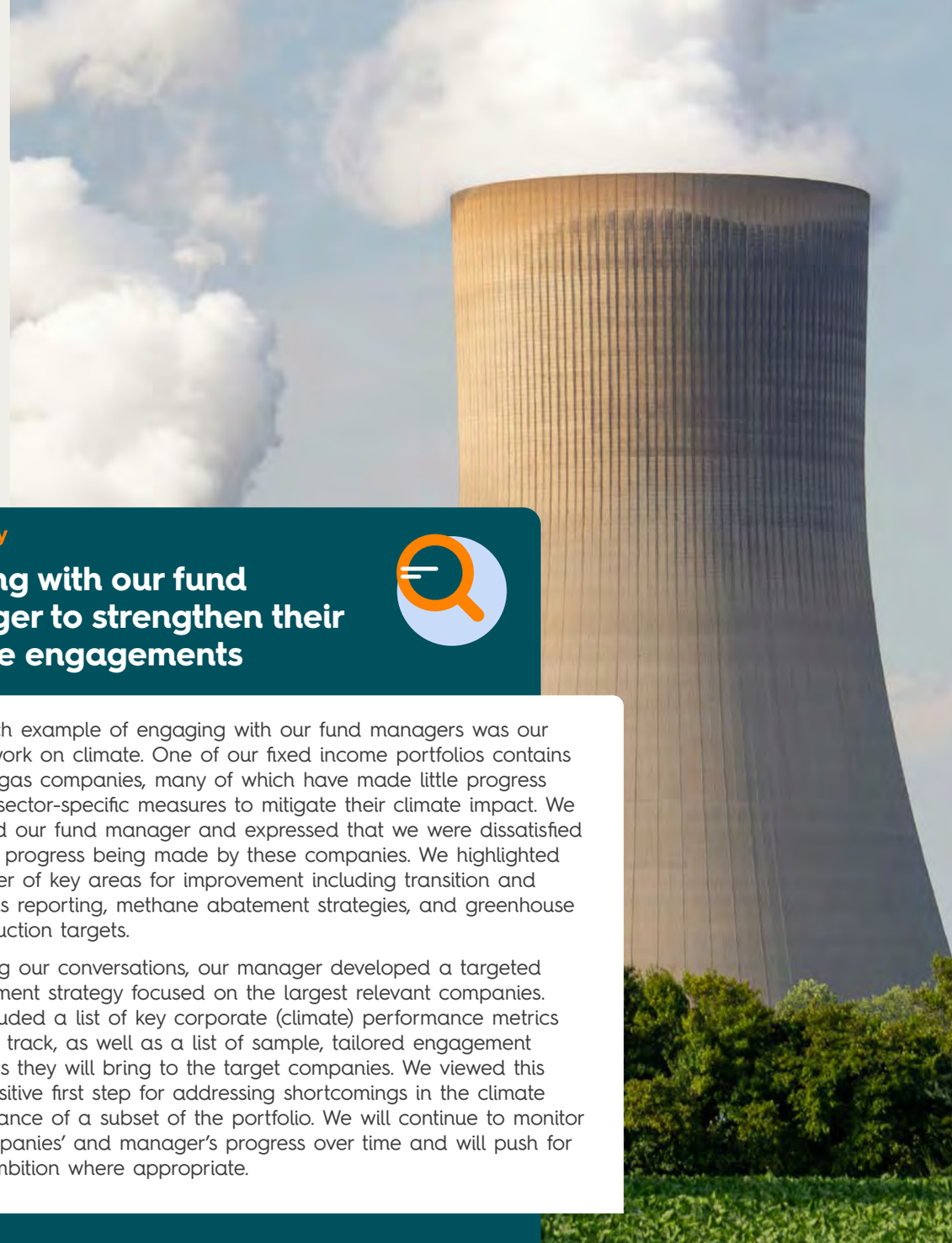
Monitoring and engaging with our fund managers

Once a fund manager is appointed, we need to ensure that they continue to meet our responsible investment expectations and that their approach evolves in line with our own.

We hold regular meetings with our fund managers to discuss their investment decisions and stewardship activities, including engagement with investee companies, voting decisions, collaborative initiatives and any escalation they have undertaken. We use these meetings to push for more ambitious stewardship and escalation where necessary.



Case study

Working with our fund manager to strengthen their climate engagements

One such example of engaging with our fund managers was our recent work on climate. One of our fixed income portfolios contains oil and gas companies, many of which have made little progress on key, sector-specific measures to mitigate their climate impact. We engaged our fund manager and expressed that we were dissatisfied with the progress being made by these companies. We highlighted a number of key areas for improvement including transition and emissions reporting, methane abatement strategies, and greenhouse gas reduction targets.

Following our conversations, our manager developed a targeted engagement strategy focused on the largest relevant companies. This included a list of key corporate (climate) performance metrics they will track, as well as a list of sample, tailored engagement questions they will bring to the target companies. We viewed this as a positive first step for addressing shortcomings in the climate performance of a subset of the portfolio. We will continue to monitor the companies' and manager's progress over time and will push for more ambition where appropriate.

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Fund manager evaluation

We assess each fund manager's responsible investment performance through our ESG fund manager monitoring framework. The framework scores managers across a range of criteria, including:

- governance and culture,
- quality of ESG integration,
- stewardship approach,
- alignment with our climate objectives and
- adherence to our policies and screens.

This year, following the introduction of our new social factors framework, we also included an assessment of how well each manager aligns with our social expectations as part of this assessment criteria, which we will be able to measure going forward.

The results are discussed at Nest's internal manager monitoring committee, which meets quarterly and brings together colleagues from across the investment team. Where we identify material concerns that are not addressed, the relevant manager may be placed on a watchlist and given a clear set of improvement objectives. The watchlist is reviewed every quarter, and if concerns persist, we may decide not to award additional money to the manager or as a last resort terminate the relationship.

As of end of March 2026, we have three managers flagged as 'yellow' (minor concerns) for ESG and stewardship. As highlighted in the previous case study, we had concerns about one manager's approach to engaging with energy companies in the portfolio and escalated this for discussion at our Manager Monitoring Committee, resulting in a more focused engagement with the manager to agree a new engagement process for the sector. Once we are satisfied that our concerns have been addressed, we may remove the yellow rating.

Case study

Enhanced fund manager reporting to support our evaluation



We also took steps to strengthen how our fund managers report to us on responsible investment by requiring greater consistency and transparency of ESG metrics across our investment mandates. This is central to how we hold managers to account on our members' behalf, identify gaps in their reporting and ensure we can clearly see how ESG considerations are being reflected in aggregate across our overall portfolio.

We have developed standardised Nest reporting templates covering pre-defined ESG metrics and key performance indicators, engagement activity, and TCFD-aligned climate reporting. These set out clearly what we expect from our managers and, importantly, allow us to compare performance on a like-for-like basis.

Our segregated public markets managers have now adopted these templates, and we received completed ESG metrics, engagement, and TCFD reporting from the relevant managers in the first half of 2026. We are continuing to work with our private markets managers to tailor and finalise equivalent templates that reflect the specific characteristics of those asset classes.

With more consistent data now flowing in, the responsible investment team is analysing the reports directly to draw out the relevant insights. Looking ahead, we are also exploring what tools or providers could help us consolidate, store, and present this growing body of data more efficiently.

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Stewardship

Stewardship is central to how we invest on behalf of our members. As a large, long-term investor, we hold stakes in thousands of companies across many sectors and geographies. That ownership comes with both rights and responsibilities, and we believe that using those rights well, through engagement, voting and other forms of active ownership, is one of the most effective ways we can protect and enhance the value of our members' savings over time.

We take a holistic approach to active ownership, recognising that our different stewardship activities are most effective when they work together. Engagement informs our voting decisions, while voting action can prompt further engagement. Both can feed into broader advocacy on market-wide issues. By connecting these activities, we can align our stewardship and pursue more consistent and credible dialogue with the companies and managers we interact with.

Our **UK** and **Global** Voting and Engagement Guidelines set out our expectations of investee companies on corporate governance, sustainability and other issues relevant to long-term value. They guide how we engage with companies, exercise our voting rights and hold our fund managers to account for voting on our behalf.

Given that we invest in thousands of companies around the world, our expectations need to account for differences in regulation, business culture, shareholder rights and market practice across regions. Our UK guidelines set out expectations for UK-listed companies, while our global guidelines establish a common baseline for companies in other markets and tailor certain expectations where appropriate. For example, we expect independent non-executive directors to make up at least half of the board in the UK and most developed markets, compared with at least one-third in other markets.

The guidelines apply primarily to the listed companies in which we invest, across both our active and systematic investment strategies. We nevertheless seek to address similar issues through our stewardship of investments in other asset classes, including private markets, using the rights and routes for influence available to us. We explain how our approach varies by asset class in the section on stewardship across asset classes below.

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Company engagement

As an asset owner whose investments are mainly managed externally by fund managers, our stewardship operates on two levels. We engage directly with companies and other stakeholders where we judge our voice as an asset owner adds particular value, such as on systemic issues aligned with our priority themes, significant holdings, or matters linked to our voting decisions. We also place significant weight on the stewardship capabilities of our fund managers. We select fund managers whose approach to active ownership enables them to manage long-term risks on our behalf, set clear expectations on engagement and voting, and monitor their stewardship performance on an ongoing basis.

This year, we engaged directly[5] with 46 companies across more than six issues. 401 company engagements were also carried out by our main equity managers on our behalf.[6]



5. Direct engagement refers to when Nest has been involved in a meeting with a company (either one-to-one or as part of a broader investor meeting) and/or has written to a company directly. Some companies were engaged on more than one topic, while other engagements covered topics not included in the figures reported in the "At a glance" sections for each strategic priority. The total number of companies engaged may therefore differ from the combined strategic priority figures.

6. This figure refers to the number of companies engaged with on a particular topic, carried out on our behalf by our main equity fund managers (UBS, Lombard Odier and Northern Trust).

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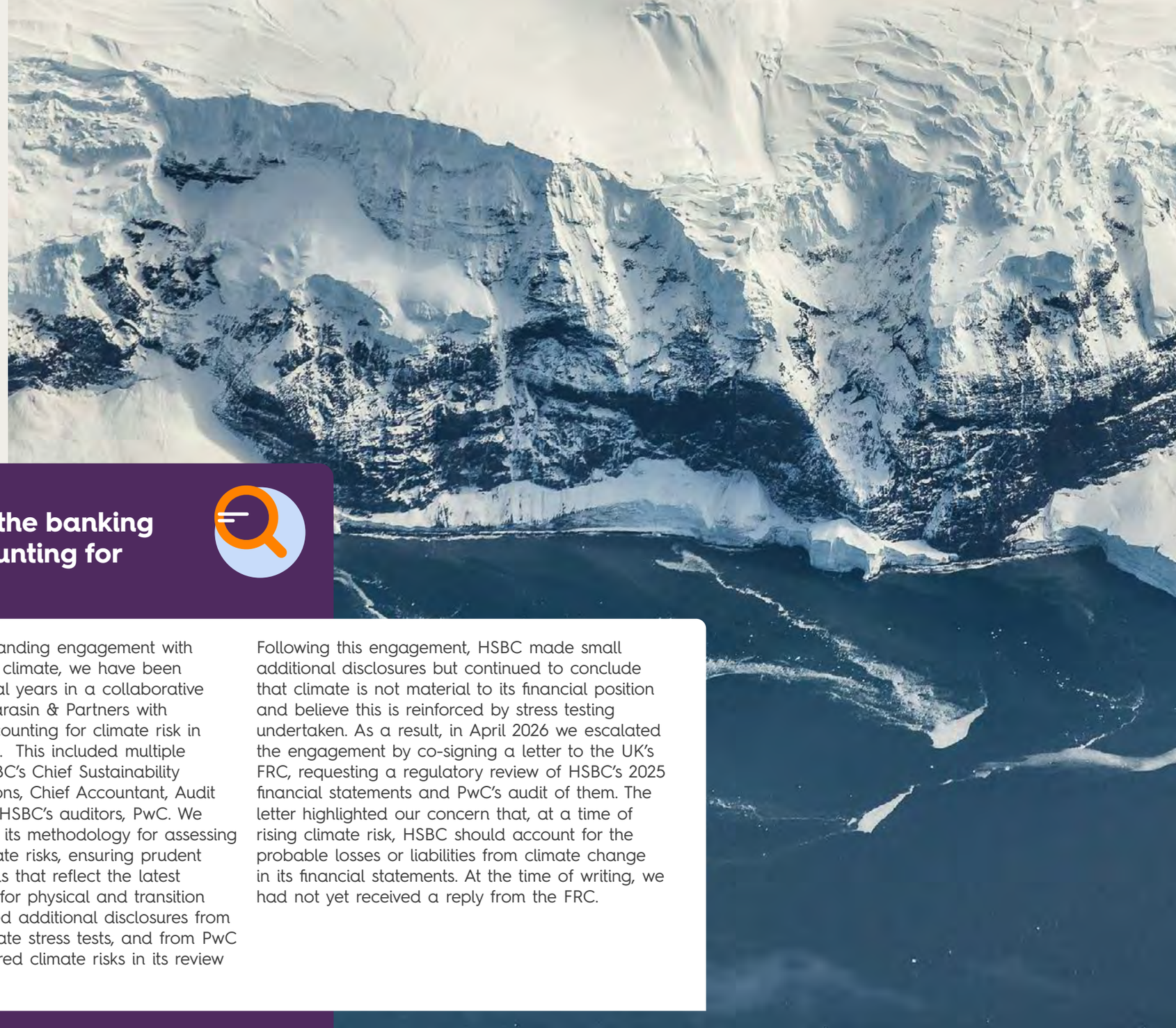

Case study

Engaging with the banking sector on accounting for climate risk

As part of our long-standing engagement with the banking sector on climate, we have been participating for several years in a collaborative engagement led by Sarasin & Partners with HSBC on how it is accounting for climate risk in its financial statements. This included multiple engagements with HSBC's Chief Sustainability Officer, Investor Relations, Chief Accountant, Audit Committee Chair and HSBC's auditors, PwC. We asked HSBC to review its methodology for assessing the materiality of climate risks, ensuring prudent forward-looking models that reflect the latest science and forecasts for physical and transition risks. We also requested additional disclosures from both HSBC on its climate stress tests, and from PwC on how it has considered climate risks in its review of HSBC's accounting.

Following this engagement, HSBC made small additional disclosures but continued to conclude that climate is not material to its financial position and believe this is reinforced by stress testing undertaken. As a result, in April 2026 we escalated the engagement by co-signing a letter to the UK's FRC, requesting a regulatory review of HSBC's 2025 financial statements and PwC's audit of them. The letter highlighted our concern that, at a time of rising climate risk, HSBC should account for the probable losses or liabilities from climate change in its financial statements. At the time of writing, we had not yet received a reply from the FRC.

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Case study

Engaging companies on workforce pay

In last year's report, we described our participation in ShareAction's Good Work Coalition, engaging with UK retail companies on workforce pay issues. Over this reporting year, we met four of these companies. We were disappointed that none committed to pay all staff the real Living Wage, although we did see some incremental steps from individual companies, mostly on transparency rather than pay levels.

We met the chief executive of one UK clothing retailer. A significant share of its retail workforce is under 21 and paid the National Minimum Wage rather than the higher National Living Wage paid to those aged 21 and over. Younger workers who receive the required performance rating can progress to the National Living Wage, but their first opportunity to receive that rating would ordinarily come at their first review, up to six months after starting work. We asked whether this assessment could take place sooner.

Following the discussion, the company said it could review performance earlier and more frequently during a worker's first few months. This could allow eligible younger workers to progress to the National Living Wage sooner than under the existing six-month review timetable. We view the proposed change to the review timetable as a positive outcome from the engagement. If implemented as discussed, the change could allow eligible workers aged 18 to 20 to receive a £2.21 hourly pay increase earlier in their employment.

In aggregate, we believe earlier access to the higher rate could have a noticeable positive impact on affected workers' take-home pay. Over time, we believe the improved pay progression could support stronger employee engagement, productivity, retention and recruitment, although we will need to monitor how the revised approach is implemented and the outcomes it delivers.

The same company also committed to disclose more workforce data and insights in its annual report, including board oversight of pay setting and retention data, though it declined to benchmark against the real Living Wage or to report on its third-party workforce.

We also engaged a UK sports retailer, meeting its non-executive directors, including the chairs of its ESG and remuneration committees and its workforce engagement director. We pressed the value of clearer workforce disclosure. The company committed to publish a standalone impact report alongside its annual report, addressing data points raised by the Coalition. That report has since been published and marks a real step forward, introducing new disclosure on its approach to pay, third-party workers, workforce demographics and supply chain wage benchmarking. However, the company did not disclose the number of employees paid below the real Living Wage, absolute turnover rates, or a cost-benefit analysis of adopting the real Living Wage and framed its pay disclosures around the National Living Wage rather than the real Living Wage – all disclosures we had asked for in our engagements.

This is not the pace of change we would like, but building relationships with companies and their boards, and securing better disclosure, are necessary steps towards the substantive changes we are ultimately seeking. We will continue to engage UK companies on workforce pay and report on our progress next year.



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Case study

Engaging food companies on consumer health

Consumer nutrition remains an important area of focus for Nest, and it is increasingly important that food retailers and manufacturers play a significant role in promoting healthy eating. This year, we were pleased to see the UK government commit to introducing mandatory reporting and target setting on the healthiness of food sales for large food businesses. In August 2025, Nest was one of 23 investors, collectively representing over $1.33 trillion in assets under management, to sign an investor statement coordinated by ShareAction and the Food Foundation calling on the government to mandate robust, transparent health reporting, a step we believe is essential to levelling the playing field and providing investors with consistent, comparable data to assess companies' impacts on health.

Over the past year, stewardship has remained our primary tool for addressing health-related risks across our portfolio. A key highlight was our ongoing engagement with Nestlé as part of ShareAction's Healthy Markets Initiative. In December 2025, we attended a meeting with Nestlé's new CEO, Philipp Navratil, alongside a group of institutional investors. The CEO demonstrated a strong commitment to nutrition and a clear understanding of its relevance to both the company and its investors, emphasising the need to address malnutrition, enhance nutrition, and reduce obesity and ill health. Nestlé credited the coalition with meaningfully shaping its nutrition work and influencing senior leadership priorities, noting that engagement had helped shift nutrition from a compliance exercise to a growth priority. As a result, Nestlé committed to adopting industry-leading reporting practices, including the use of government-endorsed nutrient profiling models and the robust sales-weighted average measure for assessing the healthiness of its portfolio. This is a real step in the right direction and highlights the role that good stewardship can play in shaping best long-term company practice.

Beyond Nestlé, we have continued to engage with other major food companies including Tesco, Sainsbury's and McDonald's, encouraging them to set ambitious healthy sales targets, improve the transparency of their nutrition disclosures, and prepare for the UK government's forthcoming mandatory reporting requirements.

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Case study

Engaging washing machine manufacturers on microfibre filtration technology

In 2023, we joined a collaborative engagement initiative led by First Sentier Investors (FSI) to engage with the manufacturers of domestic and commercial washing machines to fit microfibre filtration technology to their products as a standard feature, with the aim of protecting nature in marine ecosystems.

In 2025, the initiative had a two-fold focus: corporate engagement and policy advocacy. In the corporate engagement workstream, the initiative sent letters to seven washing machine manufacturers in France, to understand their approach to a potential new law mandating the installation of microfibre filters in washing machines. Unfortunately, the decree was never published, and the French government did not take a position on the matter. As a result, no responses were received from the companies contacted. The initiative instead shifted the focus to policy advocacy to other regions on the same topic, and in November 2025 sent a letter to the UK Department for Environment, Food & Rural Affairs (DEFRA), outlining the investor case for government bodies to implement regulation on this topic.

Going forward, the initiative is planning to focus on retailers and their approach to reducing microfibres in their operations and supply chains.

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Voting

Annual general meetings (AGMs) present an opportunity for shareholders to vote on the re-election of directors and resolutions relating to company issues, such as the annual report and accounts, capital structure, board composition, audit, and executive pay.

In addition to casting votes on resolutions proposed by management at AGMs, shareholders can also submit resolutions to be voted on at the meeting. They often raise issues not typically covered by management resolutions, such as additional reporting on sustainability issues. Shareholder resolutions and the right to vote on them are a valuable tool at an investor's disposal and can be particularly helpful in escalating a concern that the company has not addressed through engagement.

Whilst our fund managers generally vote on our behalf, our own UK and Global Voting and Engagement Guidelines set out our own viewpoints and expectations of companies as well as our expectations for our fund managers on good corporate behaviour. Ultimately, we use them to hold our fund managers to account on the decisions they make.

We use an external provider, Minerva Analytics, to help us monitor our fund managers' voting intentions and compare them to the expectations set out in our Voting and Engagement guidelines. We take investment considerations, research and analysis, and our engagement history into account to inform our voting decisions. We can also override our fund managers' votes on a subset of companies if we have different views, which we provide further detail on later in this section.

Updates to our voting approach

At the start of every calendar year, we review our UK and Global Voting and Engagement Guidelines ahead of the AGM season to ensure they remain aligned with our responsible investment objectives, the latest research, and developments in regulation and market practice. We published our updated 2026 UK and global voting and engagement guidelines on our website in March 2026.

This year, we made some light updates, focusing on five priority areas:

- **Backtracking on climate commitments:** We formally embedded our position on companies that materially scale back their climate commitments or strategy. It now makes clear that 'where the company has materially scaled back (parts of) its climate strategy without adequate explanation, we may vote against the chair of the board.' The update sets out more clearly how we evaluate significant changes to climate-related targets, investment plans or transition timelines, and reinforces our expectation that companies maintain credible, transparent transition strategies.
- **Cyber security risk governance:** We introduced new expectations in this area. We expect companies to disclose their cyber risk management framework, incident response arrangements, and the board's role in overseeing cyber resilience. Where these are absent or inadequate, we will consider voting against the directors responsible for risk oversight. This reflects the strengthened Pensions UK 2026 Stewardship and Voting Guidelines, which we provided feedback on, and brings our policy into line with current best practice.
- **AI:** Following the introduction of new AI governance expectations in 2025, we further refined the wording to clarify the minimum governance requirements we expect of boards on AI, including board oversight of AI-related risks and opportunities, integration into strategic planning, and guidelines on the ethical use of AI. We have also made clear that we may vote against the re-election of a director where there is evidence of societal harm linked to a company's development or deployment of AI and the company has failed to take appropriate remedial action.
- **Sector-specific health expectations:** We strengthened our sector-specific guidance on health, building on the new health and food section introduced in 2025. We introduced broader expectations around the management of health-related risks across food, pharmaceuticals and consumer-facing sectors.
- **Dismissal of shareholder proposals:** We added new wording in our shareholder rights section addressing the dismissal of shareholder proposals, in response to the rise in companies seeking to exclude legitimate ESG shareholder proposals from their AGM ballots. Our guidelines now make clear that we expect companies to allow shareholders to exercise their rights and to engage constructively on properly filed resolutions, and signals that we may vote against directors where companies inappropriately seek to dismiss or block shareholder proposals.

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Our voting activities

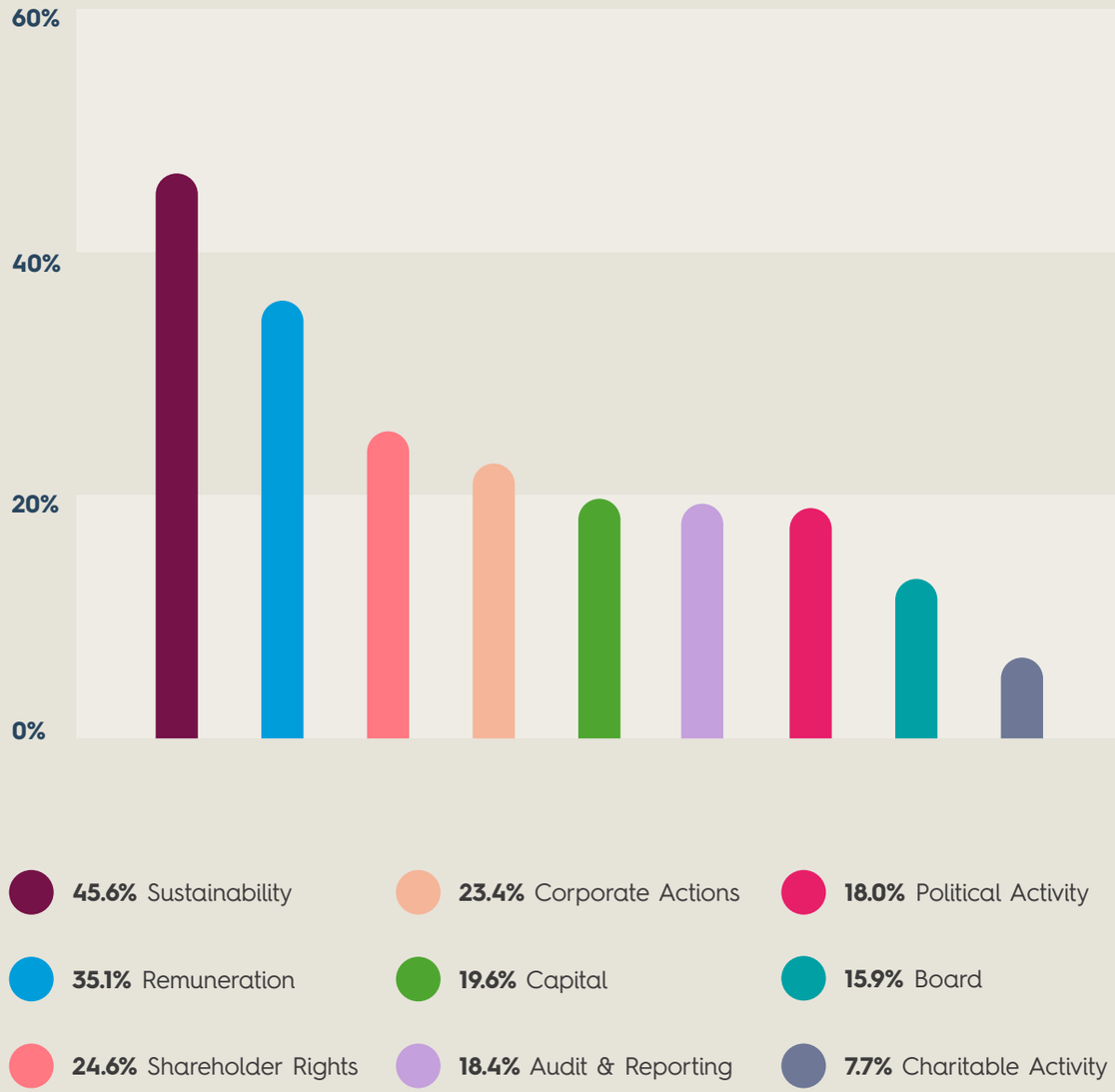
During the reporting period, just under 50,000 votes were cast on our behalf by our equity managers primarily at company AGMs.

This equates to approximately 98.8% of the total number of resolutions eligible to be voted on our behalf. We expect our fund managers to exercise our voting rights wherever practicable, although this may not be possible in some circumstances, including where shares are on loan or market-specific restrictions apply. We require fund managers to disclose where they have not voted and explain why.

Given the high number of companies held in our equity funds and the short window in which multiple AGMs occur, it's not possible to analyse how our fund managers plan to vote on our behalf for every vote. For this reason, we focus our efforts on a smaller list of companies – a voting subset. This comprises our largest holdings, companies that we or our managers are currently engaging with, and companies identified as having existing or previous ESG concerns. The voting subset now stands at 294 companies.

From our voting subset list, 5,347 votes were cast in the year ending 31 March 2026. Of these votes cast, 20.4% were against management (1,091 votes). The rate of votes against management varied by resolution category, as shown in the graph on the right. We voted against management on just over 45% of sustainability resolutions, including by supporting shareholder resolutions that company management had recommended voting against. Remuneration resolutions also had a relatively high rate of votes against management.

Percentage of resolutions voted against management, by category



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Exercising our voting rights and influencing our fund managers

For our segregated listed equity mandates, we can override our fund managers' votes at companies within the subset referenced earlier. With the help of Minerva Analytics, we review the variance between our fund managers' voting intentions and our own voting guidelines, which allows us to identify differences and where we may wish to override their decision. Focusing on a pre-defined set of companies helps us to scrutinise how our fund managers are exercising votes on the most significant issues in the companies we have identified as priorities.

During the 2025 AGM season, we overrode our fund managers' voting intentions 378 times, making up 7% of the overall resolutions voted within Nest's monitoring list. This helps us better align with our own voting guidelines and beliefs. Most of these overrides were to vote against company management, accounting for 34% of the overall votes against management within Nest's monitoring list.

When deciding to override votes and where time permits, we engage with our fund managers on the voting decisions they make. We want to understand their rationale for voting differently, and what research and engagement informed their voting decisions. Our aim is not only to ensure that votes attached to our shares are cast in line with our views, but also to encourage the fund manager to reconsider its own position. Where a manager changes its decision, this may affect votes across its wider holdings, extending the influence of our engagement beyond Nest's shares. Even where its decision does not change, the discussion allows us to communicate our expectations and assess the quality of the manager's voting and stewardship approach.



Case study

Engaging with our fund manager ahead of a vote on antimicrobial resistance

At the 2025 AGM of Restaurant Brands International (RBI), the North American quick-service restaurant group, a shareholder resolution was filed requesting the company comply with World Health Organization (WHO) guidelines on antimicrobial use throughout its supply chains.

Ahead of the vote, we contacted one of our fund managers to discuss their approach to antimicrobial resistance (AMR), understand their rationale for intending to vote against the resolution, and share our perspective. We emphasised that AMR is a material systemic health risk and a long-standing engagement priority for us, given its potential to disrupt global food systems and erode long-term returns. We also highlighted independent analysis showing that the company had not disclosed an antibiotic policy covering its purchased beef, pork, eggs, dairy or seafood, and that meaningful gaps remained in implementation across its beef and pork supply chains.

The fund manager carefully considered our views and concluded that, in light of the disclosure gaps and the material significance of the issue, support for the resolution was warranted. We were pleased that our manager changed their position and supported the resolution, noting that a large fund manager's potentially greater shareholding and influence can add weight to the resolution and send a stronger message that investors consider antimicrobial resistance a material issue.

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At the end of each voting season, we have a debrief with the relevant fund managers to discuss any trends and key voting results that might have emerged. We also seek to understand and discuss how much our fund managers deviated from their voting policies and why. These discussions help us identify areas where we would like to see closer alignment with our expectations and agree where the manager's voting approach or its application could be strengthened in future.

For further details, we publish an **annual voting summary report** setting out how all our fund managers have voted and how this compares to Nest's voting guidelines, as well as a **full record** of the votes our fund managers make on our behalf every quarter.

Voting-led engagement

If we override our fund managers to vote against management recommendations, we engage with the company directly where we think an issue is particularly important to raise. In the last year, we wrote letters to several companies to explain our voting decisions and areas of concern, seeking resolution or ongoing dialogue. Many of these dialogues are part of our longer-term engagements we have with those companies.

Some of the engagements we have had are listed below:

- BP on board independence and the pivot in its climate strategy
- Equinor on its energy transition plan and scaled-back climate ambitions
- Meta Platforms on child safety and harm reduction on its platforms
- PepsiCo on biodiversity and flexible plastic packaging
- United Utilities on remuneration alignment and dividend cover
- Antofagasta on board independence and human rights oversight.





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Case study

Engaging Meta on child safety and harm reduction on its platform

Ahead of Meta's 2025 annual general meeting, we reviewed two shareholder proposals concerning child safety and exploitation on its platforms. One proposal asked the board to report on Meta's progress in improving child safety and reducing harm, supported by targets and quantitative metrics. The other sought reporting on the company's use of technology to combat online child exploitation. Meta's board recommended that shareholders vote against both proposals.

Our fund manager initially intended to vote against the proposals. We did not consider this position consistent with our concerns about Meta's management of online harms. Therefore, we instructed the manager to support them for the shares it manages on our behalf. Following further review, the manager also changed its own position and supported both proposals across its wider holdings. The manager cited continuing concerns about Meta's content moderation, child safety controls and the effectiveness of its oversight, while recognising some improvements in the company's governance.

Voting was central to our approach. However, we did not treat the vote as the end of the engagement. After the AGM, we wrote directly to Meta to explain our voting decision and set out our concerns about child safety and harm reduction on its platforms.

This work formed part of a broader engagement campaign with Meta. We co-signed an investor letter coordinated by Sarasin & Partners raising concerns about responsible AI, AI-generated misinformation and disinformation, online harm to children, the use of data in AI training and AI governance. We later took part in a collaborative call with the company in early 2026, using questions informed by Meta's own human rights reporting and prioritising child safety and content moderation. We were disappointed that Meta did not commit to further dialogue with the investor group, particularly given subsequent changes to its approach, including the removal of its third-party fact-checking programme.

We also engaged our fund managers more broadly to understand the expectations they set for responsible innovation and online safety, their approach to stewardship on AI, and their discussions with major technology companies. Fund managers may have greater access to the largest technology companies because of the scale of their holdings and established stewardship relationships. Working through them can therefore provide an additional route to raise concerns and assess how effectively they are holding companies to account on our behalf.

This case illustrates how we can use different stewardship levers together. Voting allowed us to express our position formally and prompted our fund manager to reconsider its wider voting decision. We then used direct correspondence, collaborative engagement and fund manager oversight to reinforce our expectations.

After the end of the reporting period, in August 2026, Meta agreed to settle litigation brought by US state attorneys general over alleged harms to young users, agreeing to substantial payments and to a series of changes to how teenagers use its platforms. The scale of the settlement reflects the materiality of the issues we have been raising, and we will continue to monitor how Meta and our fund managers address responsible AI, online safety and harm to children.

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Stewardship across asset classes

We invest across a broad range of asset classes, and our approach to active ownership is adapted to reflect the different rights, relationships and influence available in each.

In listed equities, we exercise our voting rights at shareholder meetings, co-file shareholder resolutions and engage with companies and industries on issues that financially impact our portfolio. In listed corporate debt and private credit, where we do not have voting rights in the traditional sense, we place greater emphasis on the due diligence, engagement and ongoing monitoring of issuers. In private credit specifically, we look for managers who develop strong relationships with equity sponsors, the parties who provide capital to and oversee the underlying businesses, as these relationships are often the most effective channel for influencing how those businesses are managed. In real assets such as infrastructure and real estate, stewardship tends to focus on the terms negotiated at the point of investment and on how managers oversee the operation and governance of the assets over the life of the holding.

Case study

IFM engagement on climate transition risk

This example shows how IFM Investors, one of our infrastructure debt fund managers, has engaged with its debt borrowers on sustainability-related topics, from due diligence onwards.

Investment overview:

In 2025, a fund managed by IFM invested in a UK-based provider of energy-related services and solutions. The company has a focus on sustainability, with historical operations focused on the implementation of low-carbon and renewable energy products and systems. This core part of the business is well-placed to potentially benefit from the UK's net zero programme and is currently supporting several large-scale decarbonisation projects across a range of sectors, including healthcare, education, and transport.

The company recently expanded beyond its core services into asset ownership via the acquisition and development of two Energy from Waste ("EfW") plants. While these plants can play an important role in environmental management by diverting waste away from landfill, they also carry a significant combined carbon footprint. Managing that footprint over time will be a key focus area for the business, particularly as the UK Emissions Trading Scheme ("ETS") is scheduled to include EfW operators in the future.

Integration of sustainability factors into investment decision-making:

IFM assesses a range of environmental, social, and governance factors as part of its due diligence process. Given the context outlined above, ETS policy/implementation risk and greenhouse gas emissions management were identified as priority engagement areas for the company - with an enhanced assessment performed and summarised in the credit memorandum. This analysis was informed by written and verbal engagement with management (Managing Director, ESG Director) in relation to both the company's decarbonisation strategy and wider industry expectations on ETS implementation.

Ongoing engagement activities:

Over the next two years, the company intends to develop a quantified transition plan, including options to decarbonise the EfW plants. The plan will be used to inform strategic capital investment decisions and ensure the assets remain competitive in the medium term.

IFM intends to engage with management periodically on the progress of the transition plan and any anticipated impacts on emissions intensity or financial performance. Work is already underway to enhance data availability and ready the EfW assets for ETS implementation – primarily through the roll-out of carbon-14 analysis to establish proportional volumes of biogenic and fossil waste in the feedstock mix. This represents a critical step in enabling the company to meet its obligations under the UK Streamlined Energy and Carbon Reporting ("SECR") framework and effectively incentivise emissions reduction under the ETS by accurately transmitting carbon pricing signals through the waste value chain.

The company also provides sustainability data to IFM on an annual basis, including Scope 1, 2, and 3 greenhouse gas emissions and renewable energy production statistics.

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Escalation

When it comes to engagement, we strive to be a pragmatic investor. This involves broadly supporting company management to develop and drive forward the business strategy in the interests of its stakeholders, while challenging them where we do not see that strategy as aligned with the interests of investors and other stakeholders, and holding them to account on delivery.

We favour constructive dialogue based on relationship-building and avoid actions which can cause long-term harm or volatility to the company. However, regular engagement doesn't always deliver the outcomes we hope for. Where an issue is not being addressed, progress is insufficient or we consider that action is needed more quickly, we may escalate our engagement. By escalation, we mean increasing the intensity of our stewardship activity to seek greater influence or hold the company more directly to account, which may include raising our concerns with more senior company representatives, voting against directors, making a public statement or filing a shareholder resolution.

Before we do, we'll think about:

- The materiality of the issue
- The responsiveness of the company to engagement
- Any historic patterns of negative behaviour
- The impact and likelihood of success of escalation
- Trade-offs or unintended consequences, for example, any additional costs for the company in meeting the ask that could impact shareholder value.

We've carried out a number of escalated engagements over the past year and share an example of one on the following page.

We escalated 6 engagements over the past year. This included filing one shareholder resolution and signing 5 follow-up statements/letters to senior company representatives. Outside of this figure, we also voted against management at several company AGMs, which we discussed earlier in this section.

We also regularly engage with our fund managers to ensure that they are considering escalating their engagements when progress is not made.



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Case study

Escalating our engagement with BP

Our engagement with BP is now in its fourth year and represents one of the clearest examples of how we escalate stewardship activity when we are not satisfied with a company's direction.

In 2023, we wrote to BP twice expressing concern about the company's decision to backtrack on some of its climate targets, which led to us meeting with the then-Chair. BP's direction of travel did not change, and in early 2025, we co-signed an investor letter to BP's then Chair expressing concern about reports that the company was considering weakening its climate commitments further and shifting capital back towards fossil fuel production.

The letter asked BP to allow shareholders to vote on any changes to its strategy at the 2025 AGM. The company declined to hold such a vote and subsequently announced a significant strategic redirection towards upstream oil and gas, scaling back investment in renewables and abandoning several climate targets. We raised our dissatisfaction with both the updated strategy and the absence of a shareholder vote during direct engagement with the company. We ultimately voted against the Chair at the 2025 AGM, as did 24% of the investor base. Following the AGM, we wrote to BP's CEO to explain our voting rationale and request further dialogue.

This year, we have remained unsatisfied with BP's trajectory. The company's continued expansion of upstream investment, without what we considered adequate evidence that these plans would deliver value for shareholders, raised questions about capital discipline. In response, we co-filed a shareholder resolution with the Australasian Centre for Corporate Responsibility (ACCR) and other institutional investors, calling on BP to report on how it manages capital expenditure to generate an acceptable return to investors on material oil and gas projects.

At the same time, BP took a number of steps that we viewed as undermining shareholder rights and governance standards. While the resolution we co-filed with ACCR was tabled for a shareholder vote, the company excluded another shareholder resolution filed by Follow This from the AGM ballot, denying investors a chance to vote on the proposal's asks. BP also put forward a resolution asking shareholders to revoke binding climate commitments that had been approved by shareholders in 2015 and 2019, without proposing a clearly equivalent replacement framework. The company also tabled a motion to allow the Board to hold virtual-only AGMs, which we believe would undermine what is an important forum for shareholders to engage with the board and senior executives.

As a result, we decided to escalate our engagement further through two key actions:

- We made a public statement ahead of the AGM setting out our intention to vote against the re-election of BP's Chair, Albert Manifold. We argued that the issues at stake, including BP's decision to exclude a financially material shareholder resolution and its request to revoke shareholder-approved climate commitments, go directly to the Board's approach to shareholder rights, accountability and capital allocation discipline.
- We engaged with our fund manager who had similar concerns and agreed it was important that investor dissent be concentrated on the individual who holds ultimate responsibility for Board conduct and governance, rather than spread across multiple directors, which risks diluting the signal.

At the AGM, 25.9% of votes cast were in support of the resolution that we co-filed. This was a strong result, and support was sufficiently high that BP should consult with shareholders about the outcome and publish a response to the resolution. We, alongside the other co-filers, have met with the company to discuss how BP is engaging with its shareholders on the result and to outline our expectations for the company's response.

The AGM also saw Chair Albert Manifold receive the support of only 81.8% of votes cast, which represents a material protest vote against a newly appointed Chair and demonstrates dissatisfaction of some shareholders with the company's actions around the AGM. Manifold has since stepped down, and a new Chair, Ian Tyler, who was already a director on BP's Board, has been appointed as his successor. We will continue to engage with the company via a collaborative engagement group to discuss BP's strategy under his leadership.

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Case study

Lombard Odier's engagement with Tesla on supply chain oversight

Lombard Odier (LOIM) manages a thematic public equity portfolio on behalf of Nest. In this case study, LOIM describes how it engaged with Tesla on human rights issues and oversight of its supply chain, and how it escalated that engagement where concerns remained.

Background

Tesla manufactures electric vehicles, solar solutions and energy storage systems, with a broader goal of increasing accessibility to electric vehicles and renewable energy for mass adoption. Its business model aligns directly with the shift towards net zero. However, there are concerns about potential exposure to forced labour within its automotive supply chain, particularly links to the Xinjiang Uyghur Autonomous Region (XUAR). We were concerned that raw materials and components used in vehicle production could be linked to forced labour practices, exposing the company to significant legal, operational and reputational risks.

Since 2023, we have engaged with Tesla through a collaborative initiative led by the Investor Alliance for Human Rights (IAHR) on forced labour risks in automotive supply chains. We joined as a supporting investor. In 2025, we became co-lead of the engagement with Tesla, together with Nest. Through this initiative, we sought greater transparency and more robust human rights due diligence across the company's supply chain.

What did we discuss and ask for?

Our engagement focused on Tesla's management of human rights risks within its supply chain and the adequacy of its due diligence processes. In May 2023, the investor group launched the engagement with a formal letter to CEO Elon Musk. The letter urged the company to address potential links to human rights abuses in the XUAR. Together with other investors, we requested that the company:

- conduct comprehensive supply chain mapping, in and outside China, to identify direct and indirect business relationships connected to the XUAR
- demonstrate how it is addressing and, where necessary, disengaging from suppliers linked to forced labour risks
- strengthen human rights due diligence throughout its value chain
- provide greater transparency on mitigation efforts, progress made, and remediation processes for affected stakeholders.

The investor group then met Tesla four times: in August 2023, August 2024, December 2024 and December 2025. Discussions covered the practical challenges of tracing complex global supply chains, particularly in regions where independent verification and auditing are difficult. We also examined Tesla's use of third-party audits, traceability of battery materials, governance arrangements and approach to supplier remediation. Throughout the engagement, we continued to emphasise that practical challenges do not diminish the company's responsibility to demonstrate robust due diligence and effective risk management.

How did we escalate?

Alongside the collaborative dialogue, we escalated our approach through voting at Tesla's annual general meetings. These votes related to Lombard Odier's own holdings:

- **2024:** Although the engagement was progressing, we considered recent labour rights controversies connected to the company material enough to vote against the re-election of two directors, Kimbal Musk and James Murdoch.
- **2025:** We supported a shareholder resolution requesting additional reporting on child labour risks associated with electric vehicle production. We also voted against the re-election of director Ira Ehrenpreis, partly because human rights issues had not been fully addressed.

Taking on the co-lead role in the IAHR initiative in 2025 also allowed us to take greater responsibility for setting the direction of the engagement.

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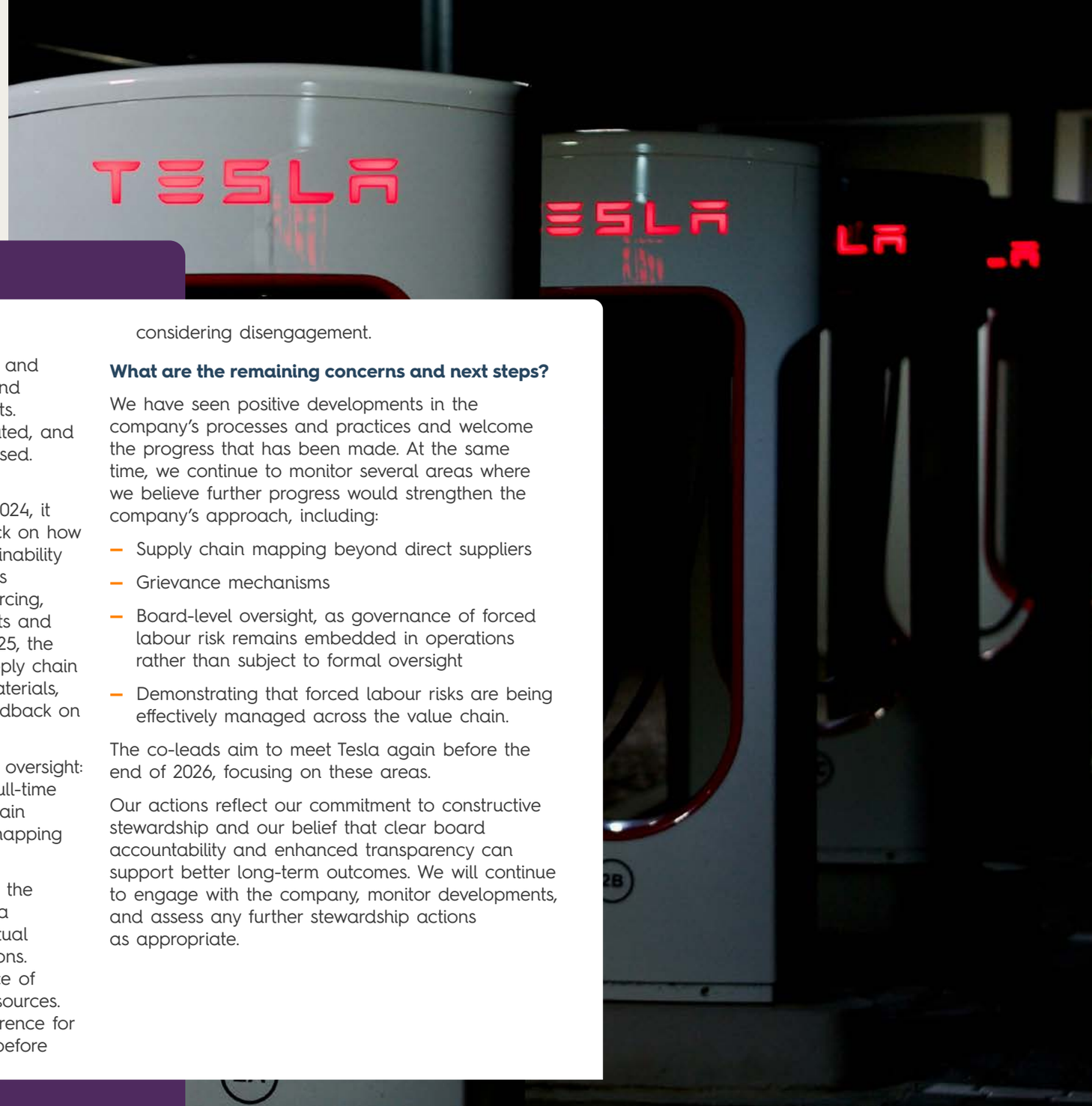

Case study continued

What was the outcome?

The engagement resulted in a constructive and transparent dialogue over multiple years and contributed to several positive developments. However, direct causality cannot be attributed, and some concerns have not been fully addressed.

- Increased transparency: Tesla engaged constructively with investors. In August 2024, it began actively seeking investor feedback on how to strengthen its approach. Tesla's sustainability reporting between 2023 and 2026 shows increased disclosure on responsible sourcing, mine-level assessments, third-party audits and forced labour controls. In December 2025, the company discussed its approach to supply chain transparency, particularly for battery materials, and expressed openness to investor feedback on disclosure priorities.
- Enhanced traceability and supply chain oversight: By December 2024, Tesla had hired a full-time member of staff dedicated to supply chain mapping and had carried out further mapping work.
- Continued engagement: Tesla discussed the challenges associated with supplier data collection, which often relate to intellectual property concerns and resource limitations. The company highlighted the importance of triangulating information from multiple sources. In December 2025, it reiterated its preference for supplier engagement and remediation before considering disengagement.

What are the remaining concerns and next steps?

We have seen positive developments in the company's processes and practices and welcome the progress that has been made. At the same time, we continue to monitor several areas where we believe further progress would strengthen the company's approach, including:

- Supply chain mapping beyond direct suppliers
- Grievance mechanisms
- Board-level oversight, as governance of forced labour risk remains embedded in operations rather than subject to formal oversight
- Demonstrating that forced labour risks are being effectively managed across the value chain.

The co-leads aim to meet Tesla again before the end of 2026, focusing on these areas.

Our actions reflect our commitment to constructive stewardship and our belief that clear board accountability and enhanced transparency can support better long-term outcomes. We will continue to engage with the company, monitor developments, and assess any further stewardship actions as appropriate.

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Advocacy

One of our responsible investment objectives is to help ensure markets function better, so the companies and assets we invest in operate within a properly regulated, transparent and sustainable market system.

To do this, we identify key market-wide risks through our own research, as well as external sources such as industry bodies, investor forums, news flow, fund managers, and external service providers. We then assess the materiality of each potential risk and agree on an action plan to address it, which includes:

- Engaging in public policy, through dialogue with policymakers and responding to consultations
- Participating in collaborative initiatives with other investors and stakeholders
- Advocating for better standards through thought leadership

We also expect our fund managers to be active in engaging with standard setters and industry associations to help improve standards for investment in the asset classes in which they invest.



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Public policy engagement

We believe that engaging with policymakers and regulators is an important part of our role as a large, global long-term investor. The rules and standards that govern how companies and investment firms disclose information, manage risks and treat stakeholders directly affect the quality of the investment environment in which our members' savings are managed. Where possible, and where we believe it will be in the best interests of our members, we will contribute constructively to shaping those rules.

Our policy activity takes several forms. We respond to public consultations and sign investor letters to policymakers, but our engagement is not limited to these formal channels. We also speak directly with policymakers and regulators before, during and after consultation processes, where ongoing dialogue can help us explain our perspective, respond to developing proposals and provide practical investor input. In some cases, we work more closely with policymakers as they develop legislation or guidance, which we provide examples of in the case studies on this page.

We responded to 4 public policy consultations, and engaged directly with policymakers on 10 different issues throughout the year.

The full list of public policy consultations we have responded to can be found on our website.

Case study

Engaging with officials on the UK Sustainability Reporting Standards

This year, we responded to UK Sustainability Reporting Standards and transition plan consultations. However, prior to that, we had participated in a meeting with officials from the Department for Business and Trade, the Department for Energy Security and Net Zero, the Financial Conduct Authority (FCA), the Department for Work and Pensions (DWP) and The Pensions Regulator and other UK pension funds.

The session gave us an opportunity to exchange views directly with the officials responsible for implementing these frameworks, including on the sequencing of corporate and financial sector requirements and the importance of Scope 3 emissions reporting, alongside other large pension funds. We were pleased to see that following the engagements, the FCA issued subsequent consultation on UK SRS and on TCFD product rules. Our responses to both consultations can be found on our website.

Case study

Working with the DWP on clarifying pension trustee fiduciary duties

This year, Nest participated in the Department for Work and Pensions' (DWP) technical working group on clarifying pension trustee fiduciary duties. Through this engagement, Nest supported efforts to provide trustees with greater confidence in how financially material factors, including climate change, nature, social issues, wider systemic risks, and members' views and standard of living, can be considered in investment decision-making where relevant to savers' interests. Participation in the group also enabled Nest to share practical experience and real-world examples of integrating these considerations within a fiduciary framework.

This work follows a long-running industry debate about the scope of pension trustees' fiduciary duties in relation to investment decisions. Earlier this year, an amendment to the Pension Schemes Bill that would have required the Secretary of State for Work and Pensions to issue guidance on trustee investment duties within 12 months was rejected by the House of Lords. However, the DWP has continued to develop guidance which we hope will help trustees interpret their existing legal duties in a way that supports delivering the best long-term outcomes for UK savers. A consultation on the guidance is expected later this year.

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Case study

Advocating for enhanced pay gap reporting



Fair pay matters to us both as an investor and as the pension provider for over 14 million UK workers. Pay gaps can be a signal of deeper structural issues within a company, from barriers to progression and unequal access to senior roles, to cultures that fail to attract and retain diverse talent. These issues can affect productivity, employee engagement, litigation risk and reputation, all of which can be material to long-term investment returns. But pay fairness – especially in the UK - also matters to us as over one third of UK workers save with Nest, and many of our members are directly affected by the pay disparities that exist across gender, ethnicity and disability.

We have long believed that transparency on ethnicity pay gaps is a necessary step towards closing them. For example, mandatory gender pay gap reporting in the UK has helped bring attention to pay disparities and prompted many companies to take action. As such, we have been involved in the work of ShareAction's Good Work Coalition which has coordinated investor efforts to push for ethnicity pay gap reporting. Over the past three years, the Coalition has engaged with over 30 UK-listed companies across financial services, food and other low-paying sectors to encourage voluntary ethnicity pay gap reporting, and by the end of 2024, 16 of those companies had begun reporting.

We concluded that voluntary, company-by-company engagement could only take this so far. In March 2025, we attended a roundtable along with other institutional investors, companies and NGOs and hosted by the then-Minister for Equalities, Seema Malhotra, where we advocated directly for the introduction of mandatory ethnicity pay gap reporting. When the government subsequently launched a formal consultation on mandatory ethnicity and disability pay gap reporting, we submitted a **detailed response**.

Our response drew on our perspective both as an institutional investor engaging with companies on this issue and as an employer that has voluntarily reported its own ethnicity pay gap for around six years. We called for standardised, quantitative disclosures alongside qualitative action plans, and made practical suggestions to ensure the reporting regime is robust without being unnecessarily burdensome.

In March 2026, we were pleased to see the government announce its commitment to introduce mandatory ethnicity and disability pay gap reporting for large employers, through the forthcoming Equality (Race and Disability) Bill.

Following this announcement, we attended a follow-up roundtable in April 2026 attended by the then-Minister for Equalities, Seema Malhotra and the Minister for Social Security and Disability, Rt Hon Sir Stephen Timms. The session brought together investors, companies and civil society organisations, and focused on ensuring the legislation is ambitious and practical in its implementation and delivered in a timely manner.

We will continue to follow the progress of the Bill and will share our views where opportunities arise. Once companies are reporting on a consistent basis, we expect to be able to use that data to hold companies to account more effectively, comparing performance across sectors and tracking progress over time in a way that voluntary, inconsistent disclosure has not allowed.

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Working with industry initiatives

Our interest in addressing long-term issues that can impact members' outcomes reflects the emphasis we place on effectively identifying and responding to market-wide and systemic risks. We support and follow various codes of best practice and actively participate in stewardship and reporting initiatives which also help to inform our own work and create impact across the market. Acting as part of a coalition with like-minded investors gives us collective clout in achieving our objectives for the millions of members we act on behalf of.

This year, we joined the following initiatives:

- Accounting for Sustainability (A4S)
- Bank of England Private Markets System-Wide Exploratory Scenario exercise
- Ceres Food and Nature Working Group
- DWP Technical Working Group
- Emerging Markets and Developing Economies (EMDE) Investor Taskforce
- GIIN Climate Solutions Working Group
- Governance for Growth Investor Campaign
- IIGCC Deforestation Investor Group
- IIGCC Food and Agriculture Working Group
- Investor Forum
- Office for Investment (OfI) – Sterling 20
- Public Sector DC Pension Scheme Working Group
- ShareAction's Pesticides Working Group
- The Investment Association's Climate Change Working Group
- UK Food Supply Chain Resilience

In addition to the new initiatives we joined this year, we remain a member of the following global and domestic initiatives, though our level of involvement within these initiatives varies. Throughout the report, we have provided examples of how we have contributed to some of these initiatives.

- 30% Club UK Investor Group
- Access to Nutrition initiative (ATNi)
- Asset Owner Council (formerly Occupational Pensions Stewardship Council)
- Asset Owner Diversity Charter
- Climate Action 100+
- Collective Impact Coalition for Ethical AI
- Emerging Markets Just Transition Investment Initiative
- Fair Reward Framework
- Farm Animal Investment Risk and Return (FAIRR)
- Financing a Just Transition Alliance
- FRC UK Stewardship Code
- Global Canopy's Deforestation-Free Pensions Guidance Working Group
- Global Principles for Sustainable Securities Lending (GPSSL)
- Institutional Investor Group on Climate Change (IIGCC)
- IIGCC Banks Engagement and Research Initiative
- IIGCC Net Zero Engagement Initiative
- The Investment Association
- Investor & Issuers Forum
- Investor Alliance for Human Rights (IAHR)
- Investor Coalition for Equal Votes (ICEV)
- Labour Rights Investor Network (LRIN)
- Microfibre Engagement Programme
- Nature Action 100
- Paris Aligned Asset Owners initiative
- Pensions UK (formerly PLSA) Stewardship Advisory Group
- Investors for Purpose
- Rathbones' Votes Against Slavery
- ShareAction's Banks Initiative
- ShareAction's Good Work Coalition
- ShareAction's Healthy Markets Initiative
- Social Impact Investment Advisory Group (SIIAG) - concluded this year
- Sustainable Markets Initiative (SMI)
- Transition Pathway Initiative (TPI)
- UK Sustainable Investment and Finance Association (UKSIF) including representation on the Policy Committee
- UN Office for Disaster Risk Reduction (UNDRR) Advisory Group
- Workforce Disclosure Initiative (WDI)

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Case study

Collaborating to advance diversity and inclusion across FTSE 100 companies



We continue to consider diversity and inclusion as an important indicator of good governance, culture and long-term performance in the companies we invest in. We are a co-chair of the 30% Club UK Investor Group, which brings together around 40 investors representing £15 trillion in assets as of 31 March 2026, and acts as the central hub for UK investors to take targeted action at UK companies on a basis driven by the investment case.

Within this group, we coordinate engagement with FTSE 100 companies on this topic as part of the 'Fix the Exec' working group. Last year, we undertook engagement ahead of the 2025 annual general meeting (AGM) season, focusing on gender and ethnic minority representation at executive committee level, targeting companies with the lowest reported representation. Lead investors wrote to each company explaining why executive diversity remains relevant to investors and inviting them to discuss their approach and the steps they could take to improve representation. Against a more challenging external backdrop for diversity and inclusion, the nature of these conversations has evolved. Alongside discussing representation and progress, investors have placed greater emphasis on restating the investment case for diversity, understanding companies' broader approaches to inclusion and reinforcing that these issues remain relevant to long-term investors. This has allowed for a more holistic discussion of how companies attract, retain and develop people from different backgrounds, while continuing to encourage progress in reported representation.

As of end of March 2026, the working group was made up of 10 investors, and we engaged 25 companies. Investors had met with 7 companies and had received written responses from 8 more. On the group's assessment, 9 have made some progress and 6 little or none, and we cannot yet say that any company has made significant progress. Nine companies did not respond at all, which was the most disappointing feature of the year. We shared that list with the wider Investor Group so members could factor it into their own stewardship and voting decisions ahead of those companies' AGMs.

Overall, we've seen mixed progress, and we also acknowledge that changes companies make take time to show in reported representation. Next year we will follow up with the unresponsive companies, keep pressure on laggards, and push those showing some progress to go further.

We provide further detail on the progress of our work on this in the **30% Club UK Investor Group 2025/26 newsletter**.

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Thought leadership

We see thought leadership as an important aspect of advocacy. Market improvements and better outcomes are not generally attributable to any single investor. How well investment markets function depends on how they are structured, what data exists, and what is considered normal practice. Contributing research, convening others to find solutions and setting out a position publicly are all ways we can shift those conditions when stewardship or investment decisions cannot.



Case study

Participating in the Emerging Markets and Developing Economies (EMDE) Taskforce

Co-convened by the Minister of State for International Development and the Economic Secretary to the Treasury, the Emerging Markets and Developing Economies (EMDE) Investor Taskforce brings together leaders from major financial services firms including insurers, pension funds, asset managers, banks, investment consultants and development finance institutions, as well as ecosystem stakeholders such as credit rating agencies, philanthropies and academia.

In May 2025, Nest became a founding member. We recognise that EMDEs will be key to a successful climate transition and require significant investment to meet their Nationally Determined Contributions (NDCs) to the goals of the Paris Agreement. Much of this investment will need to come from the private sector. However, there are structural barriers to investors allocating to EMDEs, particularly in private markets, including risks around governance and political stability, currency, and limited opportunities of the right scale for an investor such as Nest. We are keen to support the right conditions that facilitate further investment in emerging markets that will help achieve global climate and the sustainable development goals. The Taskforce seeks to strengthen the UK's position as a global sustainable finance hub while helping to finance climate mitigation, adaptation and economic development in EMDEs. Its aim is to address the barriers to investment in these markets and to showcase strong investment opportunities, with the ultimate objective of increasing private sector investment. Nest Invest's CEO Mark Fawcett sits on the Taskforce's Leadership Group.

In its first year, the initiative focused primarily on understanding the key barriers, building awareness and setting out a roadmap for change. Now in its second year, the initiative has identified five focus areas to move towards implementation:

- Asset Owner mobilisation
- Product and tools
- Data compilation and usage
- Credit ratings
- Regulation and policy.

Nest co-chairs the Data workstream alongside the Private Infrastructure Development Group (PIDG), focusing on addressing the data gaps that act as a barrier to capital allocation to EMDEs. You can read more about the initiative and its work here.

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The way we invest responsibly is shaped not only by our research and priorities, but by the governance structures, resources, policies and assurance that support our decision-making, and by what we hear from our members. Much of our approach and process for making decisions is captured in our Responsible Investment Implementation Policy. This section provides an overview and examples of how we have applied these processes during the year.



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Governance and oversight

Nest's investment governance operates across multiple levels. The full structure is captured in the Implementation Policy, but to summarise: The Nest Board, our trustee board, sets Nest's overall strategic direction, including the investment objectives and investment beliefs that frame our approach to responsible investment. Beneath this, Nest Invest, our FCA-regulated investment subsidiary, is responsible for developing and delivering the investment strategy, including the day-to-day management of our responsible investment activities.

The Nest Invest Board was established in October 2025 as part of a broader programme to strengthen our investment governance as the business has grown. It provides formal oversight of Nest Invest as a regulated entity, ensuring that investment activities – including responsible investment and stewardship - are delivered in line with the trustee's objectives and Nest Invest's regulatory obligations.

An internal Strategic Responsible Investment Policy was established and approved by the Nest Invest Board in June 2026. The policy sets out why we consider responsible investment to be integral to Nest's purpose, the objectives that should guide our responsible investment activity, and the Nest Invest Board's expectations and minimum standards for delivery. The Nest Invest executive is then responsible for delivering this strategic direction in practice, through our technical policies, manager appointments and day-to-day responsible investment and stewardship activity.

Policies and assurance

Our responsible investment approach is underpinned by a set of published policies, guidelines and position papers, each with defined review cycles and clear lines of accountability. A full list of these documents, including their review frequency and approval process, is set out in our **Responsible Investment Implementation Policy**.

During the reporting period, we undertook a number of policy reviews and updates. Most notably, we consolidated our various exclusion policies into a single **Investment Policy on Exclusions**, as described in the exclusions section of this report. We also introduced the new Responsible Investment Implementation Policy, which sets out how the Nest Invest executive delivers on the direction set out by the Nest Invest Board-owned Strategic Responsible Investment Policy. Alongside this we carried out our regular update to our **UK** and **Global** Voting and Engagement Guidelines, described earlier in this report.

These changes were part of a broader piece of work. In 2025, as part of our enhanced governance model, Nest Invest introduced a new Policy Framework: a governing document setting out how policies are created, owned, reviewed and approved. The framework gave us a consistent way to categorise our documentation and to confirm that each document is reviewed by the right body with the right frequency. Strengthening how responsible investment connects to our wider risk and assurance arrangements is an area of ongoing work. Our Risk and Compliance Committee is responsible for Nest Invest's compliance framework, enterprise risk management and adherence to regulatory requirements. Over the coming year, we will continue working with our risk and compliance functions to integrate responsible investment more fully into enterprise risk reporting and our lines of defence, and we expect to report on progress in our next report.

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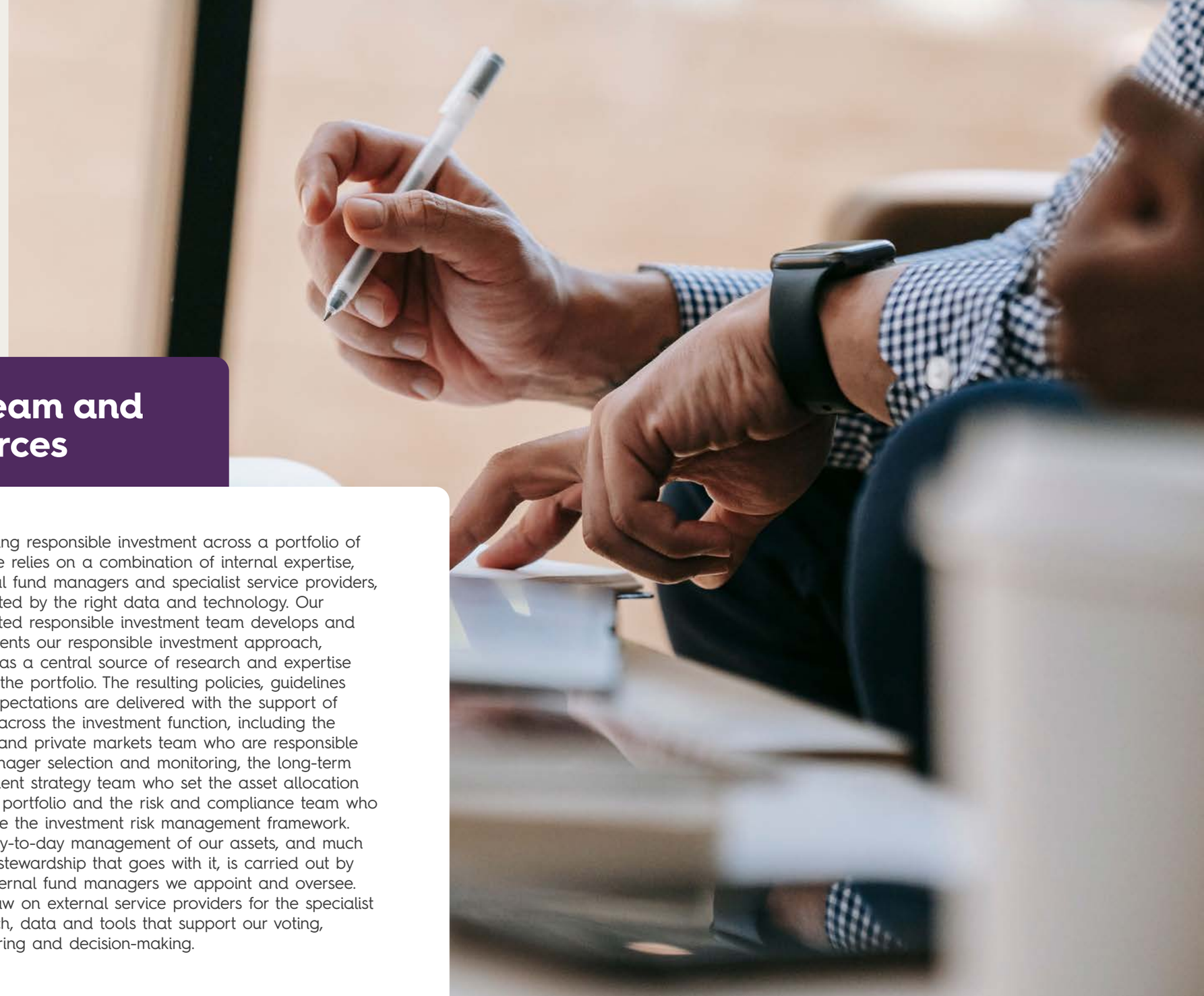

Our team and resources

Delivering responsible investment across a portfolio of our size relies on a combination of internal expertise, external fund managers and specialist service providers, supported by the right data and technology. Our dedicated responsible investment team develops and implements our responsible investment approach, acting as a central source of research and expertise across the portfolio. The resulting policies, guidelines and expectations are delivered with the support of teams across the investment function, including the public and private markets team who are responsible for manager selection and monitoring, the long-term investment strategy team who set the asset allocation for the portfolio and the risk and compliance team who manage the investment risk management framework. The day-to-day management of our assets, and much of the stewardship that goes with it, is carried out by the external fund managers we appoint and oversee. We draw on external service providers for the specialist research, data and tools that support our voting, monitoring and decision-making.

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The responsible investment team at Nest

Nest maintains a dedicated responsible investment team, sitting within the investment directorate and working closely with colleagues across asset allocation, manager selection and risk management. The team acts as a centralised hub of research and expertise, working to embed ESG considerations into investment decision-making and oversight across the portfolio.

Our responsible investment team now comprises six dedicated professionals. There have been no changes to the team's resourcing since our last report.



Diandra Soobiah

Diandra is the Director of Responsible Investment and has 23 years of investment experience. She joined Nest in 2010 and has helped build and develop Nest's responsible investment approach. She's responsible for its delivery and oversees the implementation and management of ESG and stewardship across the scheme's assets. She is part of Nest's investment leadership team and is currently a co-chair of the 30% Club UK Investor Group and a member of the Pensions UK (formerly PLSA) Stewardship Advisory Group.



Katharina Lindmeier

Katharina is the Head of Sustainability Strategy, with 11 years of investment experience. Katharina joined Nest in 2019 having previously worked in responsible investment roles at Railpen and Aberdeen. Her role focuses on ensuring the effective integration of ESG considerations into the investment function and overseeing our climate and nature programmes. She sits on the UKSIF Policy Committee and represents Nest on the EMDE Taskforce Delivery Group and as Co-Chair of the Data workstream.



Chloe Horne

Chloe is a Responsible Investment Manager, with 8 years of experience in the sustainable finance sector. Chloe's previous roles include working at the Principles for Responsible Investment as a Senior Investment Stewardship Specialist, and the Financial Conduct Authority on corporate responsibility, with an academic background in economics, business ethics and corporate governance. Chloe joined Nest in 2024 and leads our social issues programme of work. She sits on the advisory group of Investors for Purpose, as well as the steering committee for the Asset Owner Diversity Charter.



Maeve O'Connor

Maeve joined Nest in February 2025 as a Responsible Investment Manager covering climate and nature issues. Before joining Nest, Maeve spent three years as an oil and gas analyst at Carbon Tracker, a financial think tank which researches climate-related investment risk. Maeve has a background in finance, having previously held positions in corporate finance and trading at Bank of Ireland, and in financial regulation at the European Central Bank. She holds an MSc in Economics from the College of Europe and a BA in Philosophy, Politics, and Economics from Trinity College Dublin.



Tom Sanders

Tom is a Senior Analyst. Tom joined Nest in 2022, having previously worked for ISAM, a quantitative fund manager. He graduated from the University of Bath with a Bachelor of Science degree in Economics and International Development. Tom focuses on research and analysis of ESG issues, leads Nest's voting, and engages on social and governance issues with some of Nest's member industry initiatives.



Saim Wafa

Saim joined Nest as an Analyst in February 2025, having previously worked at Aviva Investors. Saim graduated from the University of Essex with a Bachelor of Science degree in Finance. Saim supports the team's work on research and analysis of ESG-related issues, and Nest's voting activity during AGM season.

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External service providers

We use specialist service providers where external research, data or technology can support our responsible investment activities. During the year, these services included proxy voting research and analysis and corporate ESG data.

We evaluate our service providers at least twice a year to assess the quality of their work, provide feedback and consider whether their services continue to meet our needs. We also periodically re-tender contracts through Nest's procurement processes. Our review and reappointment of our proxy voting provider this year illustrates how we assess services against the market and work with providers to improve them after appointment.



Case study

Evaluating and improving our proxy voting service

This year, we re-tendered our contract for proxy voting research and reporting services through an open competitive procurement process. The previous contract had reached the end of its term with no further option to extend. Returning to the market allowed us to assess the available services against our requirements, which have developed as Nest and our stewardship activity have grown.

Following the process, we reappointed our existing provider. Its service is tailored to our voting model, including translating our voting guidelines into research and voting recommendations, monitoring our fund managers' voting intentions and identifying where these differ from our guidelines. This supports us to review and challenge our fund managers' decisions and, where necessary, override votes ahead of company meetings. The provider also maintains records of our voting activity to support our oversight and reporting.

As part of our ongoing evaluation of the service, we identified an opportunity to improve the information provided through the bespoke variance reports used to identify differences between our fund managers' voting intentions and our guidelines. We worked with the provider to add more detailed analysis on remuneration and comparisons with external benchmarks. This gives us greater context when reviewing a potential voting difference, including how a company compares with others in its sector, and supports more informed discussions with our fund managers.

The competitive process gave us confidence that the service remained appropriate for our needs and represented good value for money. Our subsequent work with the provider also shows how we continue to evaluate and improve the service after appointment, rather than relying on the procurement process alone.

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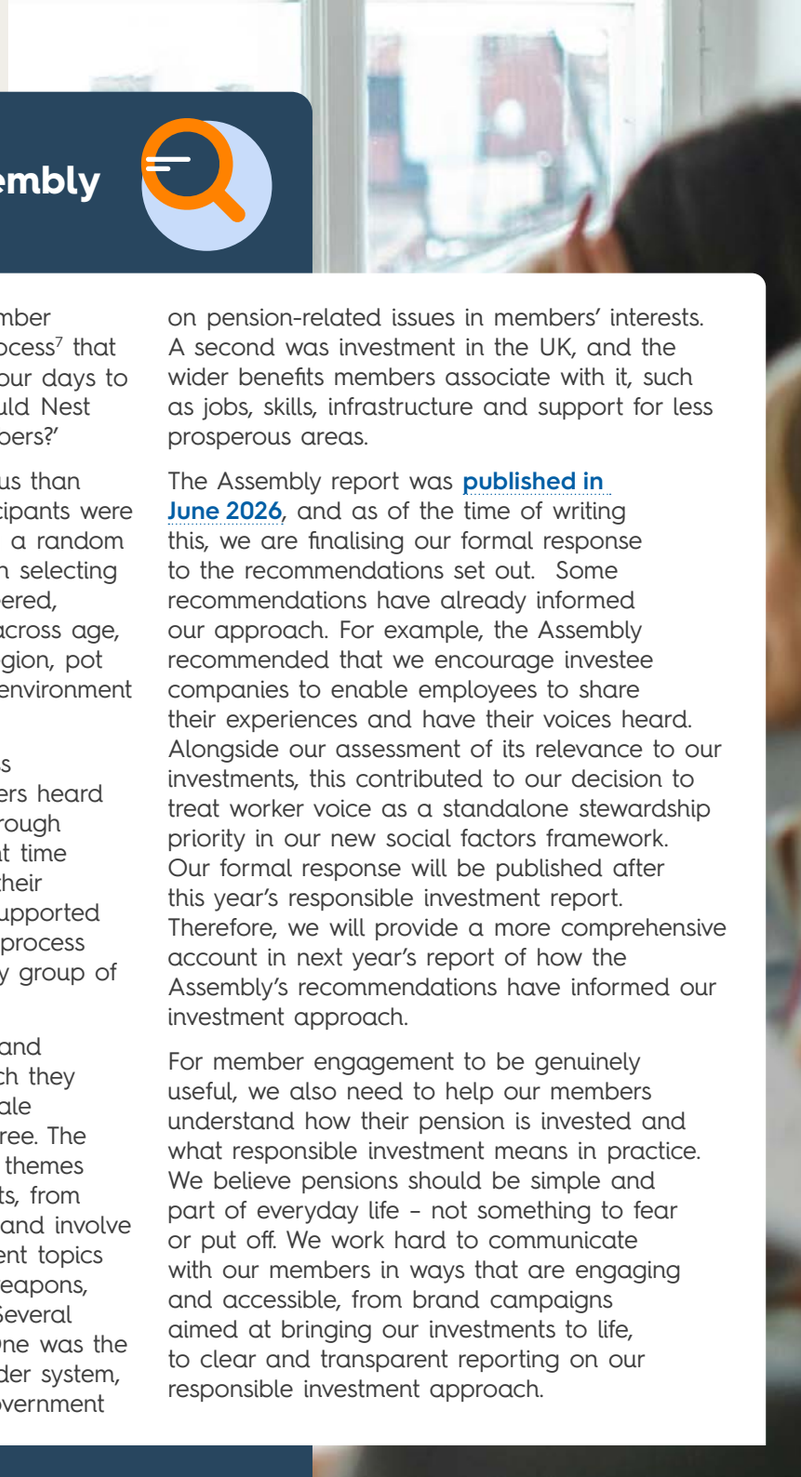
Engaging with our members

Understanding our members - their circumstances, experiences and how different issues affect their lives beyond their pension pot – is a critical component to how we set and implement our responsible investment approach. Member views and research are one of the key inputs into how we identify and prioritise ESG issues in our prioritisation framework. We use a range of methods to build and refresh that understanding, from large-scale surveys to gathering ongoing feedback through Nest's Members' Panel, a standing group of scheme members which acts as a sounding board for Nest on key issues, including how we set our investment objectives.

Case study

Nest's first Member Assembly



This year, Nest delivered our first Member Assembly. This was a deliberative process[7] that brought 52 members together over four days to deliberate on the question 'How should Nest invest in the best interests of its members?'

Several features made it more rigorous than conventional member research. Participants were selected by stratified sortition: inviting a random sample of 200,000 members and then selecting the assembly from those who volunteered, weighted to reflect the membership across age, gender, ethnicity, disability, income, region, pot size and attitudes to risk and to the environment versus the economy.

It was held over two weekends across Manchester and London, and members heard from independent experts, worked through structured exercises and had sufficient time for genuine debate before reaching their conclusions. Professional facilitators supported the deliberation throughout, and the process was overseen by an external advisory group of academics and practitioners.

Members collectively deliberated on and developed 37 recommendations, which they individually scored on a five-point scale from strongly agree to strongly disagree. The recommendations were grouped into themes and covered a wide range of subjects, from how we communicate with members and involve them in decisions, to specific investment topics such as investment in defence and weapons, private companies, and technology. Several broader threads ran through them. One was the role Nest can play in shaping the wider system, including using our voice to lobby government on pension-related issues in members' interests. A second was investment in the UK, and the wider benefits members associate with it, such as jobs, skills, infrastructure and support for less prosperous areas.

The Assembly report was **published in June 2026**, and as of the time of writing this, we are finalising our formal response to the recommendations set out. Some recommendations have already informed our approach. For example, the Assembly recommended that we encourage investee companies to enable employees to share their experiences and have their voices heard. Alongside our assessment of its relevance to our investments, this contributed to our decision to treat worker voice as a standalone stewardship priority in our new social factors framework. Our formal response will be published after this year's responsible investment report. Therefore, we will provide a more comprehensive account in next year's report of how the Assembly's recommendations have informed our investment approach.

For member engagement to be genuinely useful, we also need to help our members understand how their pension is invested and what responsible investment means in practice. We believe pensions should be simple and part of everyday life – not something to fear or put off. We work hard to communicate with our members in ways that are engaging and accessible, from brand campaigns aimed at bringing our investments to life, to clear and transparent reporting on our responsible investment approach.

7. A deliberative process gives participants access to evidence, expert perspectives and facilitated discussion, allowing them to consider an issue in depth before reaching informed conclusions.

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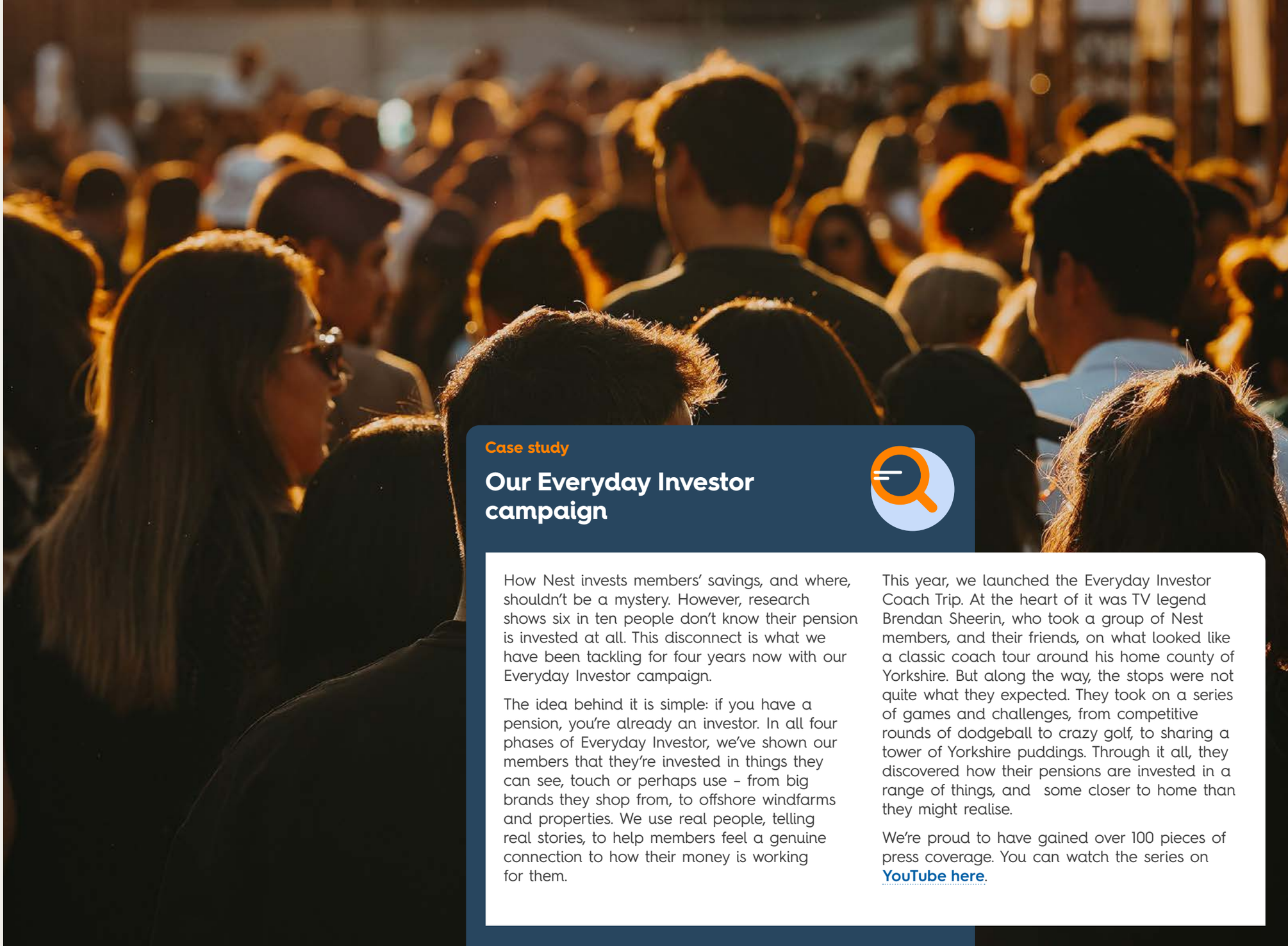

Case study

Our Everyday Investor campaign

How Nest invests members' savings, and where, shouldn't be a mystery. However, research shows six in ten people don't know their pension is invested at all. This disconnect is what we have been tackling for four years now with our Everyday Investor campaign.

The idea behind it is simple: if you have a pension, you're already an investor. In all four phases of Everyday Investor, we've shown our members that they're invested in things they can see, touch or perhaps use – from big brands they shop from, to offshore windfarms and properties. We use real people, telling real stories, to help members feel a genuine connection to how their money is working for them.

This year, we launched the Everyday Investor Coach Trip. At the heart of it was TV legend Brendan Sheerin, who took a group of Nest members, and their friends, on what looked like a classic coach tour around his home county of Yorkshire. But along the way, the stops were not quite what they expected. They took on a series of games and challenges, from competitive rounds of dodgeball to crazy golf, to sharing a tower of Yorkshire puddings. Through it all, they discovered how their pensions are invested in a range of things, and some closer to home than they might realise.

We're proud to have gained over 100 pieces of press coverage. You can watch the series on YouTube here.

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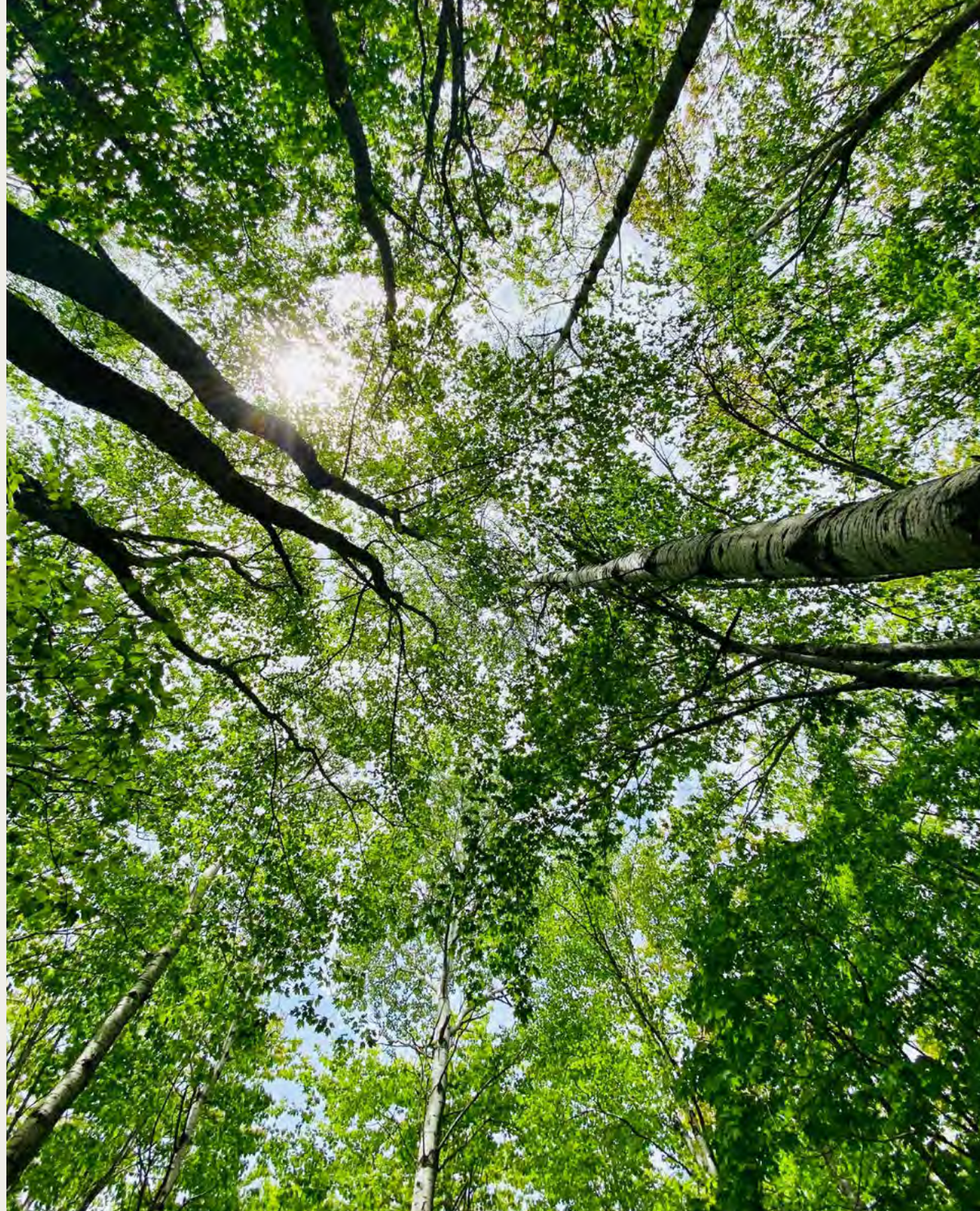
Reporting on our responsible investment approach and outcomes

As part of that commitment to clear and accessible communication, we publish regular updates on our responsible investment approach and activities. These are designed to give our members and other stakeholders a transparent account of how we invest on our members' behalf, the progress we are making, and the decisions we have taken. Our key publications include:

- Annual **responsible investment reports**, covering our stewardship activities and outcomes for the year
- **Responsible Investment Implementation Policy**, setting out our approach, priorities and governance in full
- Quarterly **investment reports**, which include the most up-to-date list of the fund managers who invest on our behalf and the assets they manage, alongside a responsible investment update covering key developments in our research, ESG integration and stewardship
- **Voting summary report**, setting out how our fund managers have voted and how this compares to Nest's voting guidelines
- Task Force on **Climate-related Financial Disclosures (TCFD) report**, covering how we manage climate-related risks and opportunities
- **Responses to public consultations** relevant to responsible investment
- Published **policies and frameworks**, including on climate change, exclusions and stewardship conflicts of interest



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Managing conflicts of interests

As a responsible investor, our duty is to act in the best interests of our members - the people on whose behalf we invest. The more we vote, engage with companies and work with regulators, the greater the potential for conflicts of interest, or the perception of them, to arise. For Nest, these can stem from tensions between our fiduciary role as an investor on behalf of members, our role as a commercial provider of pension services to UK employers, and our status as a government arm's-length body.

Our approach is set out in full in our **Investment Policy on Stewardship Conflicts of Interest**, and summarised in our **Responsible Investment Implementation Policy**.

During the reporting period, we did not identify any new actual, potential or perceived stewardship conflicts to report, including related to voting. In late 2026, we will be reviewing our existing conflicts of interest policy to ensure it remains fit for purpose as our stewardship activity grows.

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The following table sets out where in this report we address each of the Activities and Outcomes Principles of the 2026 UK Stewardship Code for asset owners. Background on our responsible investment policies, governance and context is provided in our Responsible Investment Implementation Policy, which serves as our Policy and Context Disclosures for the Code.



Principle	Specific requirement	Section
1. Signatories integrate stewardship and investment to deliver long-term sustainable value for their clients and beneficiaries.	Describe the key themes or issues that are important for your stewardship activities and how you have prioritised them.	"What we worked on: our priorities"; "Risk monitoring" ("Identifying and prioritising ESG issues" and "Applying our prioritisation framework to assess nature")
	Explain if, and how, this has differed across investment styles, asset classes or geographies.	"Screening and exclusions" ("Screening for conflict-related human rights risks"); "Manager selection and monitoring" ("Fund manager selection", "Selecting a new emerging markets equity fund manager" and "Setting expectations for our new US private credit manager"); "Stewardship" and "Stewardship across asset classes"
	Provide examples that show how you have integrated stewardship activities and investment processes.	"What we worked on: our priorities"; "Risk monitoring"; "Manager selection and monitoring"; "Stewardship"

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Principle	Specific requirement	Section
2. Signatories identify and respond to market-wide and systemic risks to promote well-functioning financial markets.	Describe the key market-wide and systemic risks and opportunities you have identified and how they relate to your investments.	"What we worked on: our priorities" ("Climate change", "Social factors", "Nature" and "Corporate governance")
	Explain how you have contributed to relevant market-wide policy or standard setting initiatives, or engaged with policymakers, standard setters, regulators or other relevant stakeholders as aligned with your stewardship approach.	"What we worked on: our priorities" ("Promoting equal voting rights"); "Advocacy" ("Public policy engagement", "Working with industry initiatives" and "Thought leadership")
	Explain how you have engaged with issuers on these risks, as applicable.	"What we worked on: our priorities" ("At a glance" disclosures); "Stewardship" and the related case studies
	Where you have done so, explain how and why you have escalated your stewardship activity regarding market-wide or systemic risks, and any progress made.	"Stewardship" ("Engaging with the banking sector on accounting for climate risk", "Voting-led engagement" and "Escalation", including the BP and Tesla case studies)
3. Signatories engage to maintain or enhance the value of assets.	Explain how you have selected and prioritised the issues on which you have engaged.	"What we worked on: our priorities"; "Risk monitoring" ("Identifying and prioritising ESG issues"); "Stewardship" ("Company engagement")
	Explain the purpose of your engagements	"Stewardship" ("Company engagement", "Voting-led engagement", "Stewardship across asset classes" and "Escalation"). The individual engagement case studies provide further details of the objectives and asks
	Describe your methods of engagement, including whether you have engaged bilaterally or in collaboration with others, and the reasons for your chosen method.	"Stewardship" ("Company engagement", "Voting-led engagement", "Stewardship across asset classes" and "Escalation"). Examples throughout the section cover direct, collaborative, manager-led and voting-led engagement
	Provide examples of your engagement, with an explanation of progress towards identified objectives or outcomes.	"Stewardship". Case studies of our engagements are provided throughout this section
	Explain how and why you have escalated engagement activities where you have done so, and discuss any progress made.	"Stewardship" ("Engaging with the banking sector on accounting for climate risk", "Voting-led engagement" and "Escalation", including the BP and Tesla case studies)

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4. Signatories actively exercise their rights and responsibilities.	Provide a link to your voting records.	"Stewardship" ("Voting" and "Exercising our voting rights and influencing our fund managers"). The full voting record is available on our website
	Disclose the proportion of shares that were voted on in the past year.	"Stewardship" ("Our voting activities")
	Describe the rationale for some of your voting decisions.	"Stewardship" ("Updates to our voting approach", "Engaging with our fund manager ahead of a vote on antimicrobial resistance", "Engaging Meta on child safety and harm reduction on its platform", "Voting-led engagement" and "Escalating our engagement with BP")
	Explain if any of the votes were part of an escalation process	"Stewardship" ("Voting-led engagement" and "Escalation", including the Meta and BP case studies)
	Explain any conflicts of interest that arose related to voting.	"What supports our responsible investment approach" ("Managing conflicts of interests"). During the reporting period, we did not identify any new actual, potential or perceived stewardship conflicts to report, including related to voting.
	(For other asset classes) Explain how you have exercised relevant rights and responsibilities and provide examples.	"Stewardship" ("Stewardship across asset classes" and "IFM engagement with a debt-financed infrastructure asset on climate transition risk")
5. Signatories integrate stewardship considerations into their selection and oversight of external managers.	Explain how stewardship considerations have been incorporated into the tendering process and the design and award of mandates.	"Manager selection and monitoring" ("Fund manager selection", "Selecting a new emerging markets equity fund manager" and "Setting expectations for our new US private credit manager")
	Explain how you have engaged with your external managers, ensuring they understand your views and expectations.	"Manager selection and monitoring" ("Setting expectations of our fund managers" and "Monitoring and engaging with our fund managers"); "Stewardship" ("Exercising our voting rights and influencing our fund managers")
	Explain how stewardship considerations have been incorporated into the monitoring of managers.	"Manager selection and monitoring" ("Monitoring and engaging with our fund managers", "Fund manager evaluation" and "Enhanced fund manager reporting to support our evaluation"); "Stewardship" ("Exercising our voting rights and influencing our fund managers")
	Explain how and why you have escalated engagement with an external manager, if you have had cause to do so, and any progress made.	"Manager selection and monitoring" ("Working with our fund manager to strengthen their climate engagements" and "Fund manager evaluation")

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Principle	Specific requirement	Section
6. Signatories monitor and hold to account stewardship service providers.	How you use the services of proxy advisors.	"Stewardship" ("Voting" and "Exercising our voting rights and influencing our fund managers"); "What supports our responsible investment approach" ("External service providers" and "Evaluating and improving our proxy voting service")
	How you have monitored the quality and accuracy of their services.	"What supports our responsible investment approach" ("External service providers" and "Evaluating and improving our proxy voting service") Please note: we do not use investment consultants for stewardship purposes or outsourced engagement providers.



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