General Counsel

Nest Corporation Risk Committee
Terms of Reference

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

The Risk Committee (the 'Committee') is a Committee of the Board, from which it derives its authority, and to which it shall regularly report. The primary role of the Committee is to monitor that all risks are identified, properly assessed, mitigated and managed and that appropriate assurance is provided in relation to each of these activities. The Committee shall have oversight of Nest Corporation, the Nest Scheme and any subsidiary undertakings (together 'Nest') as appropriate.

1 Role and Purpose

The Committee's key role is to:

1.1 make recommendations and monitor the effectiveness of Nest Corporation's risk appetite and exposure against that appetite;

1.2 monitor the internal controls framework for the Nest Scheme, Nest Corporation, Nest Invest and any other associated subsidiaries;

1.3 Monitor and consider the effectiveness of Nest Scheme, Nest Corporation, Nest Invest and any other associated subsidiaries' second line monitoring activity;

1.4 monitor the effectiveness of Nest's Enterprise Risk Management Framework, ensuring that it is fit for purpose; and that key risks to the achievement of Nest's business and strategic priorities and objectives are being managed to an acceptable level; and

1.5 monitor and consider in consultation with the Board and the chairs of other committees all aspects of risk which could affect Nest and ensure that these risks are managed within the organisation.

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

2 Responsibilities

Risk Appetite and Strategy

2.1 REVIEW and RECOMMEND to the Board the overall risk appetite for Nest Corporation, including any proposed changes, and REVIEW risk exposure against appetite.

2.2 REVIEW and advise the Board on the risk aspects of any key proposed changes to strategy and strategic transactions or projects, focussing in particular on implications for the Risk Appetite and the oversight of the Nest Principal Risks.

Risk Management and Oversight

2.3 REVIEW and RECOMMEND to the Board the approval of the Enterprise Risk Management Framework ('ERMF') on at least an annual basis, including any proposed changes. REVIEW the ERMF to ensure as a minimum, the following areas are addressed: the identification, assessment, ownership and measurement of key risks, the controls in place to mitigate them, the risk management systems, the reporting on risks and any material change in the level of risks, including Nest's ability to identify and manage new and emerging risks.

2.4 REVIEW: the adequacy and effectiveness of Nest's Second Line function and escalate any concerns where necessary with recommendations to the Board or Executive as appropriate.

2.5 REVIEW and RECOMMEND to the Board Nest's Risk Appetite, Principal Risks and any material or significant proposed changes, reviewing at least annually and providing oversight of the zero-based review, to be undertaken on a triennial basis or more frequently as required.

2.6 REVIEW: and receive assurance on Nest's ability to identify and manage new and emerging risks.

2.7 REVIEW: and receive assurance on Nest's control attestation approach and RECOMMEND to the Board any changes to internal control processes necessary to counter identified deficiencies.

2.8 REVIEW: risk reports as requested by the Committee on any business areas where necessary to provide the Committee with assurance and oversight of significant risks.

2.9 REVIEW: Nest's insurance provisions as a key risk mitigation across Nest.

2.10 REVIEW: at least biannually, reports on fraud and financial crime activity with both a first- and second-line assessment of risk, including any mitigating controls and remedial actions, and escalate any material concerns to the Board.

2.11 REVIEW regular reports from the Chief Risk Officer and ensure there is direct access to the Nest Chair and Committee Chair.

Regulatory and Legal Compliance

2.12 REVIEW the effectiveness of the system for monitoring compliance with laws and regulations and APPROVE the annual Nest Corporation Second Line Assurance Plan, including any recommended changes.

2.13 RECOMMEND to the Board any action required to ensure the adequacy and effectiveness of the second line oversight function, following discussion with the Executive Committee.

2.14 REVIEW the outputs of second line assurance reports, monitor follow up actions and review the adequacy and effectiveness of the second line assurance function.

Policies and Miscellaneous

2.15 APPROVE: changes or additions to the Nest Policy Framework or to approval levels, taking into account the context of the Enterprise Risk Management Framework, and REVIEW the framework at least annually.

2.16 APPROVE: policies and processes which relate to promoting a risk aware culture and environment, as outlined within the Policy Framework, and REVIEW the effectiveness of the policies in mitigating associated risks.

3 Membership, Quorum, Attendance, Procedures

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

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

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

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

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

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

3.7 The Corporate Secretary or his/her nominee shall act as Secretary to the meeting and will ensure that the Committee receives information and papers in a timely manner to enable full and proper

consideration to be given to the issues. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present.

3.8 The Committee will receive and share information with the Audit Committee (or any other Committee) as deemed appropriate and necessary by this Committee or by the Audit Committee.

3.9 The Chief Risk Officer will have full access to the Committee members.

4 General powers and duties

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

4.2 The Committee will produce a report on its activities to be included in the Nest Corporation and Nest Scheme Annual Report and Accounts.

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

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

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

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

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

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

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

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

Version	Approved by:	Effective from:
V1	Nest Corporation Governing Body	09/11/2010
V2	Nest Corporation Governing Body	14/07/2014
V3	Nest Corporation Governing Body	21/04/2016
V4	Nest Corporation Governing Body	21/10/2020
V5	Nest Corporation Governing Body	24/03/2022
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