Statement of investment principles
Implementation statement 2025/26

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Introduction

This statement shows how the Trustee – Nest Corporation, also referred to as Nest in this document – followed and acted on the principles contained in its **Statement of investment principles** (SIP).

Nest Corporation's Board is the designated authority responsible for assuring itself that the investment approach is in line with the SIP and suitable for members.

In January 2020, the pension scheme created Nest Invest, an Occupational Pension Scheme firm regulated by the Financial Conduct Authority (FCA). Nest Invest carries out the day-to-day management of the investment strategies behind Nest's default and alternative funds.

A review of Nest's funds and the SIP must take place at least every three years. It should also take place after any significant change in Nest's investment approach.

The last three-year review of the SIP took place in March and April 2023. It was approved in July 2023 and published in August 2023. As scheduled, a review of the SIP began in 2025, refreshing member evidence and including interviews within the pension scheme, ahead of an update in 2026.

A small change was made to the SIP in December 2024 to allow the existing Nest Post Retirement Fund (NPRF) to become an elective option for members and to be called the Nest **Ready to Retire Fund**. This decision was considered and approved by both boards of Nest Corporation and Nest Invest because it creates a new fund choice for members. The SIP has been updated accordingly.

Nest has made key changes to its governance structure, some of which are outlined below. The Pensions Regulator (TPR) has been notified of these changes and that the SIP will be updated to reflect these changes within the triennial review.

- Nest Invest has its own governance structure, including a Nest Invest Board which meets on a regular basis to review the investment approach and the performance of the pension scheme's default strategy, the Nest **Retirement Date Funds**, and other fund choices for members. The Nest Invest Board takes on most responsibilities previously held by the now-removed Investment Committee.
- On an annual basis, Nest reviews whether its investment approach remains aligned with the SIP. As part of these reviews, the Nest Invest Board provides written advice to support Nest's decision-making.

Nest is confident that the Chief Executive Officer (CEO) and Chief Investment Officer (CIO) of Nest Invest have the appropriate knowledge and experience to manage investments for a trust-based scheme. The CIO is qualified to provide advice to the Board through their ability and practical experience of investment matters. They are approved under the FCA's Senior Managers and Certification Regime.

Based on the advice of the Nest Invest Board and a range of other management information provided by Nest Invest, Nest remains confident that the investment aims and objectives of the pension scheme's default arrangements and the Nest Retirement Date Funds are fit for purpose. Nest is satisfied all investments during the year were made in compliance with the SIP, demonstrated by the evidence within this statement.

Investment beliefs

Nest has set out nine investment beliefs, with various sub-beliefs for each one, currently guiding the pension scheme in the development of its investment strategy. These are outlined in the SIP:

1. An expert, well-resourced and well-governed in-house investment function will deliver better long-term investment outcomes for Nest's members than a wholly outsourced solution.
    - An ambition to be a world class investment organisation will result in better retirement outcomes for our members – international benchmarking is central to this ambition.

- Having a highly skilled fiduciary Board provides effective challenge and oversight and leads to better decision making and better outcomes for members.
- An efficient in-house team provides closer alignment between investment decision making and member needs and aspirations.
- The functions of Nest's in-house investment team will evolve with our growing scale and range of skills, to continue to deliver innovative investment strategies and excellent value to our members.

2. Rigorous and careful selection of fund managers and effective monitoring and evaluation of their activities can provide additional value to our members.
    - Through the construction of specific mandates and benchmarks we can align fund managers' commercial imperatives to our members' needs.
    - We flex our use of external fund managers and the in-house team and the way in which we access their expertise (co-investments, segregated mandates, pooled funds) based on alignment with members' needs, costs, and internal expertise.
    - Our scale and reputation mean we can have a positive effect on fund manager behaviour and improve industry standards.
3. Strategic asset allocation is the most important contributing factor to long term performance.
    - Different asset classes have different characteristics, and these vary in different market and economic cycles. We buy assets which improve the likelihood of meeting our portfolio objectives across these cycles.
    - A strategic approach to investing in private markets can exploit opportunities and structures not available in public markets, bringing potential additional returns (including complexity and illiquidity premia) as well as diversification.
4. Long-term investors earn better returns net of costs as they can invest in assets with higher risk premia, notably equity and illiquidity risk. Nest's membership profile means we are well positioned to take advantage of this.
    - As a patient investor, we can invest primarily in assets which will generate a high return in the long term.
    - Measuring long term performance is more relevant than measuring short-term noise: we are trying to catch tides, not waves.
    - Being long term investors allows us to build more profitable long term partnerships with fund managers and leverage their resource to achieve better value for money for our members.
    - A long term horizon enables the integration and consideration of broader systemic risks and opportunities not afforded to investors with short term horizons. This has additional resonance with investment beliefs seven and eight.
5. Our members have different objectives throughout their time investing with us – carefully evaluating the amount and type of investment risk to take to achieve these objectives, coupled with robust risk management, leads to better outcomes for them.
    - Risk is much more than just volatility and risk premia are not static over time but fluctuate as a function of investors' preferences and economic and market conditions; we harness and manage a variety of different risk premia to meet the differing needs of our members at different times.
    - A sensible approach to diversification improves risk-adjusted returns. We diversify across a range of asset classes and across the risk factors driving their performance.

- There are limits on the overall risk-reduction achievable from diversification and there are scenarios in which correlation between asset classes increases and diversification may be less effective.

6. Investors who are cash flow positive for long periods can utilise this as an additional source of value.
    - Taking account of assets' fundamental values and market prices and deploying capital counter-cyclically provides better long term outcomes.
    - Withstanding short-term investment shocks without being a forced seller, is likely to be advantageous for our members.
    - Active rebalancing in times of market stress adds additional value.
7. Incorporating and acting upon climate risk and other environmental, social and governance (ESG) factors is a significant driver of investment outcomes.
    - Integrating sustainability factors into our investment process, from asset allocation and benchmark construction to manager selection and risk management, supports the identification and ultimately the pricing of ESG risk and opportunity.
    - Capital allocation by investors and corporations can make a difference in how ESG risks play out and is particularly effective when aligned with policy and regulation.
8. Acting as responsible long-term stewards has a positive and broad impact on member outcomes.
    - Where portfolios are well diversified, performance is broadly determined by the global economic systems in which investees operate – engaging with companies, fund managers, and policy makers to improve financial markets and influence the long-term health of these systems is in our members' best interests and part of our fiduciary duty.
    - We consider the impact of our investments as an economic actor in our own right and as part of a wider investor community. We believe we can deliver on our investment objectives and have a net positive impact on externalities that affect members' investments and retirement outcomes.
9. Building and maintaining Nest members' trust in our investment approach throughout their time saving with us will support better retirement outcomes.
    - Transparency and clear communications about how we invest promotes trust and leads to better member outcomes.
    - Our members have agency as to where, when, and how much they save for their pension – we do not assume inertia is the same as indifference to the investment experience members have, or the way their capital is allocated.
    - Member behavioural as well as socio-economic factors influence how we manage different risk premia at different times – this is complementary to our fiduciary responsibility to achieve the best risk adjusted returns to meet members' different investment objectives.
    - As a large institutional investor, we can be increasingly circumspect about where and to whom we allocate members' capital; consideration of reputational risks and their impact on members' trust in Nest is a factor in some investment decisions.

The beliefs are reviewed at least once every three years. The last formal review took place in July 2023, and the beliefs are currently under review. They are due to be published in autumn 2026.

Day-to-day management of assets

This part of the SIP aims to ensure Nest has clearly defined processes in place to select and monitor external fund managers. The objective of these arrangements is to achieve positive member outcomes and better value for money for Nest members.

Nest is confident that the management of assets, and its arrangements with fund managers, continue to operate in members' best interests.

- In December 2025, the Nest Invest Board received information from CEM Benchmarking, an independent provider of comparative analysis on investment costs across global pension schemes. This was the third year Nest had taken part in a CEM benchmarking exercise, and the pension scheme has agreed to ongoing benchmarking. The analysis helps Nest assess whether the portfolio is being managed in a way that offers value for money and supports discussions with fund managers about fees.

Administration and custody services

In November 2025, Nest successfully transferred fund administration and custody services from State Street to Northern Trust. The transition followed several years of preparation, including extensive planning and testing to support a smooth move to the new provider. No material issues arose during the transition, and services have continued to operate as expected.

Nest is using a broad range of indicators to monitor the performance of this key partner and has implemented a governance structure designed to deliver an effective service and seek out opportunities for collaboration and growth in the best interests of its members.

Monitoring and governance

On a regular basis, the Nest Invest Board meets to review the investment approach and the performance of the pension scheme's default strategy, the Nest Retirement Date Funds, and other fund choices for members.

Nest undertakes an annual review of Nest Invest's adherence to the Investment Management Agreement (IMA) between Nest Invest and Nest Corporation. Key questions include whether Nest Invest has provided the services set out in the IMA during the year, what evidence or assurance supports this, and whether any IMA breaches have occurred.

- In June 2025, an amended version of the IMA was approved by the Nest Corporation Board reflecting the new governance model in place through Nest Invest. As part of the approval process, a review was undertaken and confirmed there were no IMA breaches during 2025.

Creating Nest's default Target Date Funds

Nest uses five portfolio building blocks in different proportions when determining the asset allocation for each of the Nest Retirement Date Funds. The building blocks are:

- Higher growth
- Long-term stable growth
- Income seeking
- Capital preservation
- Longevity protection

They are designed to meet specific member needs throughout a member's journey saving with Nest.

By varying allocations between growth-seeking, capital preservation and income-seeking assets, as well as varying the allocations to liquid and illiquid assets, through time, Nest aims to best meet members' different investment risk needs at different stages of life.

This graphic shows the different levels in creating Nest's Target Date Funds, in descending order: member funds, portfolio building blocks, asset classes.



Recent asset allocation changes

- In February 2026, the Nest Invest Board met for its annual discussion on Nest's asset allocation. No significant changes were considered necessary to fund objectives or to the way Nest constructs its Level 2 portfolio building blocks. One minor change was made to simplify performance reporting: the long-term performance evaluation period for all Level 2 portfolios was changed to rolling five-year periods.
- In 2024, Nest improved the diversification of the **Sharia Fund** by adding sukuk bonds as a building block to the overall Sharia investment strategy. This decision was supported by feedback from some Nest members that the previous 100-stock index was too concentrated, particularly in US equities and the technology sector. In March 2026, HSBC (the fund manager managing the Islamic equity mandate) changed the index from the Dow Jones Islamic Market Titans 100 Index to the S&P Global 1200 Shariah Select Index, increasing the number of holdings in companies from around 100 to approximately 500. The new index provides broader diversification while maintaining a comparable risk profile.

Further updates

- Both the Royal London Asset Management Investment Grade Short Dated Credit Fund and UK Corporate Bond Fund were transferred to segregated mandates in March 2026.
- As of 31 March 2026, 81.1% of Nest's total investments were held in segregated accounts. This has helped give Nest more control over how the investment fund mandates operate.

Monitoring of existing asset managers

This part of the SIP aims to ensure that Nest's long-term partnerships continue to be in the best interest of Nest members, offering value for money and delivering the performance it expects.

Nest is confident it is regularly challenging the services offered by fund managers, ensuring key policies are adhered to and that underperformance is appropriately dealt with.

- As of 31 March 2026, Nest had 36 mandates in place managed by 20 external fund managers. A full list of these mandates is outlined every quarter in Nest's **Quarterly investment reports**.

Nest has rigorous governance processes in place to reflect its position as a publicly accountable body. This ensures Nest's investment and stewardship activities and processes are supported and overseen formally by the bodies responsible for Nest's investment activities – both the Nest Corporation and Nest Invest Boards.

Nest Invest holds a quarterly Manager Monitoring Committee (MMC), chaired by Nest Invest's Director of Public and Private Markets. The MMC has been established by Nest Invest to ensure there is a robust and effective control framework to oversee Nest's fund managers. The Committee's role is to provide oversight and supervision of its fund managers and the funds and mandates they manage on Nest's behalf, in line with Nest's Manager Monitoring Framework.

Where concerns are identified, managers are placed on a watchlist and prioritised for engagement. The watchlist is reviewed every quarter.

- As of 31 March 2026, four fund managers were on this watchlist due to issues with investment strategies, performance and stewardship. Nest has discussed its concerns directly with the fund managers and the managers have plans in place to resolve the issues.

Nest Invest also undertakes a systematic 'deep dive' of specific mandates to consider key questions, such as whether it still needs the allocation to that asset class and whether the right investment vehicle is in place to deliver Nest's desired investment strategy. Part of the review also considers whether the partnership with the fund manager is the right one.

- In 2024, Nest commissioned research to assess the expectations of members in the **Ethical Fund** and ensure the Ethical policy remained aligned with member values. This was presented to Nest Invest in July 2025. The research emphasised, amongst many things, the trust Ethical Fund members place in Nest to make sound ethical investment decisions on their behalf.

  Nest undertook a thorough market review in 2025, considering the options available to an investor like Nest in accessing equities in ethical mandates and using the member research to help inform conversations with fund managers. As a result, Nest launched a global ethical equity procurement in February 2026 with a view to appoint a fund manager in Autumn 2026.

  Nest's decision to launch this new procurement aligns with the pension scheme's overall ambition to ensure the most effective investment vehicles are in place for each asset class.

Further reviews

- Nest has committed to a triennial review of its Securities Class Actions (SCA) policy. The review undertaken in February 2025 recommended that Nest continue to apply the policy unchanged. A further review is planned as part of the ongoing review cycle, with the team intending to present a refreshed recommendation in due course. Nest's involvement in SCAs began several years ago, after approval in November 2021.

Types of assets held

This part of the SIP aims to ensure that when Nest invests in different types of assets and financial instruments, they are suitable for its members at different stages of saving for a pension.

Since January 2020, Nest Invest has provided authorised advice to Nest about new types of assets and the suitability of new fund managers it has appointed.

Nest is confident that investments in non-regulated markets have been carefully considered and any risks suitably managed in the investment approach.

- As of 31 March 2026, the majority (around 81%) of Nest's total investments were in regulated markets.

Derivatives

Nest appointed Amundi to help manage its asset allocation more efficiently through the limited use of derivatives. The pension scheme's Efficient Portfolio Management (EPM) fund uses short-term futures contracts. This keeps portfolios close to their target weights and minimises the drag on performance from cash set aside for deployment in private markets. The timing and value of investments into private market assets can be difficult to predict precisely.

The IMA, between Nest Corporation and Nest Invest, sets out the policy on the use of derivatives. Nest Invest has processes in place to monitor the use of derivatives to ensure compliance with the IMA.

- In February 2025, Nest Invest reviewed its internal derivatives policy and implemented changes to improve its clarity and to remove specific references to clauses in the IMA between Nest Corporation and Nest Invest. There have been no changes to the limits, range of uses of derivatives, or the permitted range of instrument types covered in the policy.
- Some of Nest's fund managers used derivatives in the 12 months to 31 March 2026, primarily for foreign currency management.
- As of 31 March 2026, Nest had a small, short position in developed market equity futures in its EPM fund which was equivalent to 0.6% of Nest's portfolio. This use of futures was to keep Nest's exposure to equities in the portfolio in line with its target allocation.

Recent mandates

- In February 2025, Nest announced it was taking a 10% stake in IFM's holding company (Industry Super Holdings) and would establish a new strategic partnership with IFM Investors. This partnership involves co-designing and/or 'seeding' new fund opportunities and has already established two new mandates available to Nest; a new infrastructure debt fund (launched May 2025) and a new global value-add infrastructure mandate (launched February 2026).
- Nest has been deploying capital to US mid-market loans since 2019. Following review, Nest is looking to increase its allocation to this part of the market and in April 2026, Nest appointed Crescent Capital to manage an open-ended mandate investing in secured, first-priority loans to US private companies.
- In October 2025 and following the appointment of Northern Trust as its custodian, Nest gained access to a cash fund managed by Northern Trust called the Sterling Fund. The Sterling Fund brings operational benefits to Nest, including lower fees and a shorter settlement time on cash calls.
- Over the previous year, Nest has wound down its positions in both REITs and commodities, and neither asset class now forms part of the pension scheme's portfolio. Looking specifically at the decision to exit commodities, analysis by Nest Invest concluded that, outside specific scenarios such as high inflation or supply shocks, the asset class has not consistently improved risk-adjusted returns within the portfolio. As a result, Nest decided to exit the asset class as part of its strategic asset allocation review.
- Nest further increased its ability to deploy money into natural capital in August 2025 by appointing BTG Pactual Timberland Investment Group to implement an investment strategy that provides exposure to sustainably managed timberland across key geographies in the Americas.

Live procurements

- Nest is in the late stages of appointing a fund manager to oversee its allocation to emerging market equities. Its procurement focused on finding a suitable active strategy for a segregated mandate so that it has better control of the assets entering the portfolio and can take full advantage of its members' long-term investment horizon and the pension scheme's positive cash flow. The appointed fund manager is expected to be publicly announced during summer 2026.

- Nest has reviewed the way it accesses UK real estate in the portfolio and is currently procuring a new strategy it could use to directly access a diversified UK real estate strategy through real estate investment managers. Nest expects to select a manager to work with on this mandate by Autumn 2026.

New areas

- The Trustee has partnered with Rothesay to develop elements of its new retirement income offering for defined contribution members. Once the co-design phase has been completed successfully, Nest will purchase bulk deferred annuities for cohorts of members from Rothesay. The bulk deferred annuity will pool longevity risk and form a key part of Nest's trustee-managed sustainable income solution for members.

The balance between different types of investments

This part of the SIP aims to ensure Nest considers the investment strategies behind its Retirement Date Funds and the fund choices that members can make away from the default approach. This includes ensuring the funds aren't overly concentrated in similar types of assets.

Nest is confident the pension scheme's portfolio offers suitable and sufficient investment options, and that its default and alternative funds remain appropriately diversified across asset classes, geographical regions and fund managers. One of Nest's key investment beliefs is that diversification improves risk-adjusted returns.

To demonstrate Nest's diversification, listed below is the asset allocation of Nest's 2046 Retirement Date Fund as of 31 March 2026. Proportions of the foreign currency exposure in Nest's developed market fixed income funds, global developed equity fund, and private market funds are hedged, ranging from 50-100%.

42.2% - Climate aware global developed equities	3.7% - Sterling corporate bonds
7.6% - Global investment grade bonds	3.6% - Global high yield bonds
6.1% - Infrastructure equity	3.5% - Short duration UK investment grade bonds
5.5% - Direct Property	1.5% - Thematic equity
5.5% - Low risk sterling liquidity (cash)	1.3% - Short duration investment grade bonds
5.2% - Private equity	0.6% - Property income
5.2% - Climate aware global emerging market equities	0.5% - Short duration gilts
3.8% - Private credit	0.4% - Timberland
3.8% - Emerging market debt	

Since 2019, Nest has been increasing its access to private market mandates to make more significant asset allocations to real estate, infrastructure equity, private credit and private equity. This allows

members to benefit from the additional expected returns available to investors in illiquid assets. Nest also invests in timberland (natural capital), but this is typically excluded from calculations on private market allocations.

- The overall percentage that private markets (including real estate) represented in Nest's portfolio, as of 31 March 2026, was 19.4%[1]. The allocation the previous year was around 16%. Nest has an ambition to increase its allocation to private markets up to 30% by 2030, a decision reaffirmed by the Nest Invest Board in February 2026.

Liquidity

Nest is required to maintain sufficient liquid assets to meet member activity, including retirement benefit payments, transfers to other pension arrangements, switches between Nest funds and other permitted withdrawals. This section of the SIP sets out the approach to managing liquidity risk within the Scheme's investment arrangements.

Liquidity is managed across the portfolio through a combination of investment design, monitoring and governance processes. Limits on exposure to illiquid assets are established for each of the five building blocks and compliance with these limits is monitored by Nest Invest. Nest Invest's Chief Investment Officer, supported by the Asset Allocation team, is responsible for setting target allocations to the five building blocks, taking account of the applicable illiquidity limits. Compliance with these allocations and limits is monitored by the Fund Administration team.

The allocation to private market investments is expected to increase over time, in recognition of their potential to enhance long-term risk-adjusted returns. Decisions regarding such investments are made with due regard to Nest's liquidity requirements and the need to meet expected member transactions in a timely manner.

- Nest has good liquidity through a consistently strong cashflow, typically receiving more than £700 million a month in member and employer contributions. Nest is confident there is sufficient liquidity to manage any member requests to withdraw funds from the pension scheme.

Risk

This part of the SIP identifies the investment risks Nest faces. Nest reviews these risks annually and sets out its investment risk appetite through the IMA between Nest Corporation and Nest Invest. Nest is confident risks are being monitored and managed appropriately in accordance with the pension scheme's stated risk appetites.

- The Nest Corporation Board undertook its annual deep dive of the investment principal risk in February 2026 and made recommendations to the Nest Corporation's Risk Committee as to its suitability. Following this review, the updated Risk Appetite Statement was cascaded across business functions and incorporated into Nest's Risk Management Framework.

Specific risks are monitored on an ongoing basis by both Nest Corporation and Nest Invest; Strategic, Investment, Legal and Regulatory, Financial, and Operational risks.

Investment risk management

Nest manages many risks across its investment strategy through diversification, ensuring members' money is not overly concentrated in one asset class, sector, or region. This ability has been enhanced

[1] Valuations for some private market assets, including private equity, infrastructure (equity and debt) and real estate (debt) are from December end 2025.

by the integration of Aladdin, a risk management system, allowing Nest to undertake greater and more sophisticated risk analysis.

Nest Invest has set up an executive Risk and Compliance Committee, which meets quarterly to, amongst other responsibilities, oversee investment risk management activities across the investment portfolio. The committee makes decisions on risk mitigation measures or resolutions, proposals for changes to existing risk limits, targets, or the risk management process itself.

As part of its risk management process, there are other executive sub-committees within Nest Invest which review and manage specific types of investment risk, including the Investment, Procurement, Manager Monitoring, and Operations Committees.

The main investment risks monitored and managed by Nest Invest, which include additional risks that will be detailed in the next SIP update later this year, are:

- Inflation risk
- Market risk
- Counterparty & Credit risk
- Operational risk
- Liquidity risk
- Valuation risk
- Currency risk
- Event risk
- Derivative risk
- Concentration risk
- Sequencing risk
- Environmental, Social and Governance (ESG) risks
- Climate risk
- Outsourcing risk
- Leverage risk
- Interest rate risk

Environmental (climate), social and governance risk

Nest places significant focus on managing environmental, social and governance (ESG) risk in the portfolio. The pension scheme believes doing this helps generate the best long-term investment performance for its members.

Responsible investment and stewardship are built into the core of Nest's investment strategy. Every year it produces a **Responsible investment report** showing how its investment beliefs and policies translate into the decisions it makes, the pension scheme's engagement with companies and other organisations, and how this affects Nest members' money.

Nest Invest has identified priority responsible investment themes (listed below) that guide its current work. These are derived using its prioritisation framework and are based on thorough research and analysis.

- Climate change
  - Transition risks and opportunities
  - Physical risk and adaptation
- Social factors

  - Equality and fairness
  - Health and wellbeing
  - Respect for human rights
- Nature
  - Deforestation
  - Water
  - Pollution
- Corporate governance

Nest sees climate change as a key risk facing all aspects of its approach to investing for members. The **Climate change policy** was first implemented in 2020/21 with the aim to align Nest's entire investment portfolio with the goals of the Paris Agreement. The policy has since been updated to reflect the latest scientific and policy developments, including a greater focus on the physical impacts of climate change. Both the policy's implementation and ongoing suitability is reviewed annually by Nest Invest and progress is reported regularly to the Nest Invest Board.

Nest Invest's Asset Allocation Forum regularly meets to review how the pension scheme's portfolios in different asset classes are performing, how the markets are performing, and what investment risks and opportunities exist or could emerge, including those it monitors through its asset class dashboard.

Nest has updated the dashboard with new climate scenarios for most of its asset classes. The pension scheme can now monitor how the projected value of each asset class could be impacted by severe physical and transition climate risks.

- 68.5% of Nest's total investments are in mandates with specific climate and/or transition objectives.

In 2021, statutory regulation came into force relating to reporting in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, with the goal of improving both the quality of governance and action taken by trustees to identify, assess and manage climate risk. Nest's latest **TCFD report** is on its website.

Nest Invest monitors how each asset class in the portfolio 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. The Investment team maintains an asset class dashboard which monitors the likelihood of each asset class to meet Nest's investment objectives. The dashboard incorporates data from Aladdin showing how asset class performance might be impacted under severe climate transition and physical risk scenarios. Where Nest identifies heightened climate risk exposure within an asset class, it considers the appropriate response. This may include adjusting the allocation, setting specific expectations for its fund managers, or using stewardship to address the underlying risk.

Nest is involved in various initiatives as part of its stewardship and active ownership practices, which help the pension scheme monitor and address ESG risks facing its portfolio, which can affect long-term investment performance. These initiatives cover issues including human rights, deforestation, diversity and inclusion, and responsible technology innovation and implementation.

- Nest continues to monitor human rights risks associated with major automotive manufacturers, including potential exposure to forced labour linked to the Xinjiang Uyghur Autonomous Region. In 2025, Nest and Lombard Odier Investment Managers (LOIM) became co-leads of a collaborative engagement coordinated by the Investor Alliance for Human Rights (IAHR), aimed at strengthening the management of human rights risks across automotive supply chains. In December 2025, the investor group engaged with Tesla on its progress, with discussions focusing particularly on supply chain transparency and the sourcing of battery raw materials. Nest's engagement is focused on seeking assurance that Tesla is taking appropriate steps to

disengage from business relationships with suppliers operating in the region where there is evidence of any connection to forced labour.

Expected return on investment

Nest sets the investment strategy and objectives for the default Nest Retirement Date Funds and the pension scheme's other member fund choices. This part of the SIP describes how the investment strategy is monitored and assessed against longer and shorter-term time horizons.

Nest is satisfied the member funds have been invested in a way that has a reasonable expectation of meeting the pension scheme's objectives over the long-term.

On a triennial basis, Nest reviews scheme member characteristics, circumstances and attitudes. This is then used to set the overarching investment objectives and design the member journey.

- Nest started a review of the member investment journey in December 2025. This review is helping Nest assess whether the pension scheme takes enough investment risk on behalf of members and whether the balance between risk and return should change more materially across the journey, particularly in the years approaching retirement. Member glidepath modelling was also considered to inform discussions.

Since July 2023, the SIP has set the following overarching investment objective for the default strategy: **Delivering the best retirement income for as many members as possible**.

To support this overarching objective, Nest has also agreed the following supporting sub-objectives:

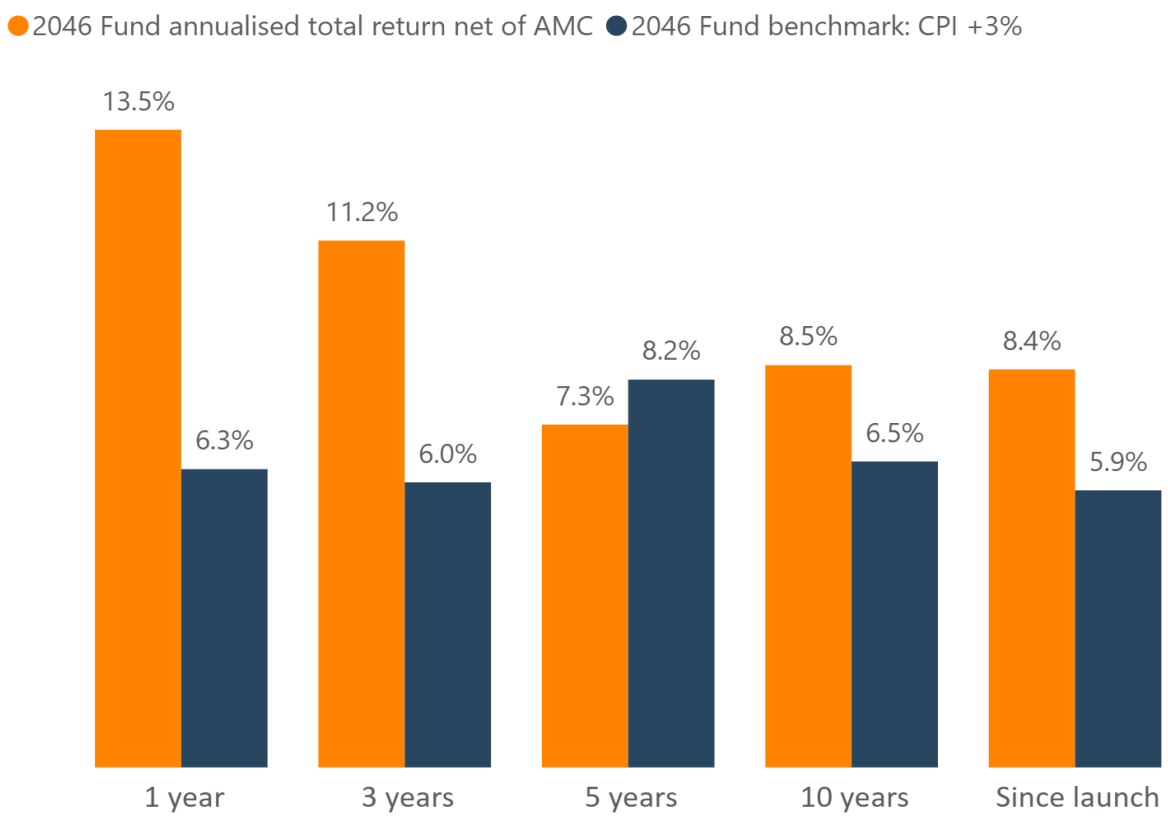
- Grow member savings faster than inflation (CPI) after all charges during a member's working life.
- As a member approaches retirement invest to deliver a predictable retirement income.
- Provide members with a smooth transition between their working and retirement years.
- Deliver similar outcomes for cohorts with similar contribution histories and similar ages.

This investment objective, alongside the sub-objectives, guides Nest's approach to its default investment approach, to ensure that members who do not wish to take an active role in how their contributions are invested, can do so in confidence.

On an annual basis, Nest reviews the strategic asset allocation to assess not only the probability of different portfolios meeting the overall investment objective and specific targets for the five building blocks, but also overall member outcomes in different stages of their savings career with Nest.

- In February 2026, the Nest Invest Board undertook the annual review of the strategic asset allocation for the Nest Retirement Date Funds (NRDFs), the Level 2 building block portfolios which are used to create the NRDFs, and the investment constraints which govern how these portfolios are structured. Part of this exercise included using long-term capital market assumptions to test expected performance of each asset class over a 10–15-year investment horizon. Despite difficult market conditions over the past year, the 2026 projections were similar or higher than last year's analysis. The Nest Invest Board did not make any changes to Nest's Level 2 building block funds.

The graph below outlines the investment performance of Nest's flagship fund, the Nest 2046 Retirement Fund, which is used as a proxy for the default strategy in the growth phase. Data is as of 31 March 2026.



Further information on the performance of Nest's alternative member funds can be found in Nest's quarterly **fund factsheets**.

Realisation of investments

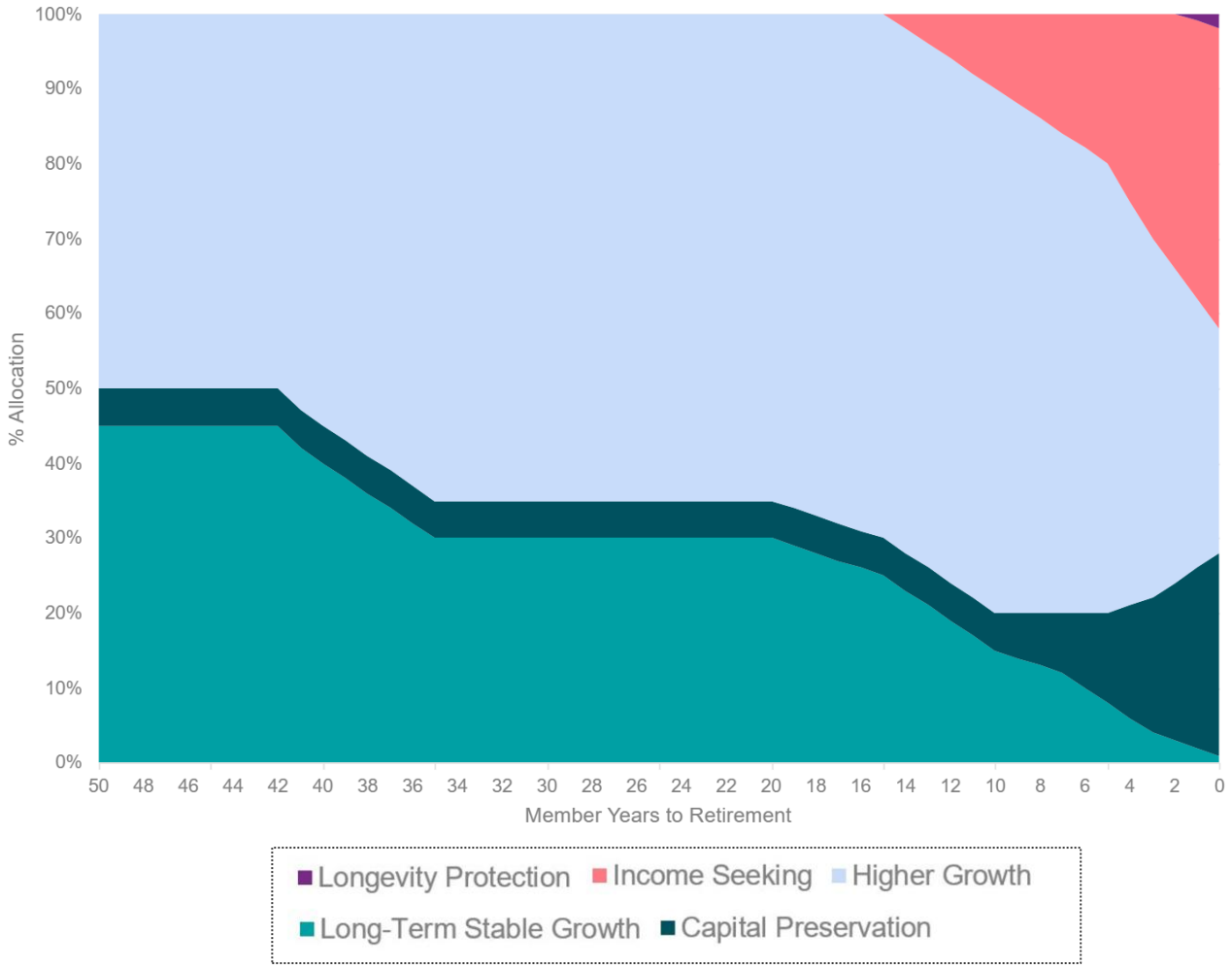
This part of the SIP aims to ensure Nest has considered members' long-term needs for later life.

Nest is confident that its funds are positioned appropriately for the level of demand from Nest members approaching retirement who are likely to withdraw their money from the pension scheme.

- The number of members accessing their savings at retirement remains very low. This is to be expected given the relatively young age profile of Nest members (the average age of Nest's membership is around 41 years old).
- While there has been an increase in member transfer activity over the past year, it remains relatively low in proportion to the pension scheme's membership. Requests for transfers, both between Nest fund choices and transferring in and out of Nest, are managed effectively. According to Origo's latest transfer index, the average transfer time at Nest is 17.1 days, down from 18.8 days the previous year.

Nest believes it has a fiduciary duty to help ensure members achieve positive outcomes after they reach State Pension age. Research shows automatically defaulting members into cash or very low volatility assets is not the most suitable approach, given the changing nature of retirement and the desire for members to have flexibility into their later years.

To this end, Nest is updating the retirement journey for members in its Retirement Date Funds. The graph below shows the target member journey. The bottom axis shows the age of the Nest member relative to their State Pension age. This pathway is being updated as part of the 2025/26 SIP triennial review, and details of the changes will be included in the 2026/27 SIP implementation statement.



As Nest members reach their designated retirement date, those in the default funds with less than £10,000 in their Nest pot are moved into the Ready to Retire Fund (formerly known as the Post Retirement Date Fund) which aims to grow members' savings in line with increases in the cost of living over the long term, after all scheme charges.

The Nest Guided Retirement Fund (NGRF) is the default destination for eligible members with pots above £10,000 and aims to grow members' funds while offering regular and sustainable withdrawals.

In December 2024, Nest started the internal process to allow members to choose to invest in the Ready to Retire Fund, as well as it being the default strategy for those not eligible for the Nest Guided Retirement Fund (NGRF). This will help enhance Nest's post-retirement fund choice for members by offering a standalone fund choice for those over 60.

In line with government policy and the Pension Schemes Act 2026, Nest is developing a retirement income proposition that offers a well-designed default Guided Retirement Pathway for its members. This will incorporate key principles Nest members say they want, including initial flexibility and support, with certainty in later life that they will not outlive their pension provision. To this end, Nest appointed Rothesay in January 2026 to co-design an insured longevity risk solution for its members as an important part of its sustainable lifelong retirement income offering.

Further supporting Nest's retirement offering is new legislation, enacted in May 2026, enabling Nest to offer flexi-access drawdown (FAD) and related retirement and death benefit options to its more than 14 million members. This allows Nest to expand its retirement offering and gives Nest members access to the same retirement choices as savers in other pension schemes.

Responsible investing and stewardship

This part of the SIP sets out Nest's beliefs and policies on managing ESG risks. It also explains where Nest seeks to incorporate members' views, and how the pension scheme acts as a responsible and watchful asset owner on their behalf.

The SIP contains investment beliefs that were revised in 2023, as part of Nest's triennial review to check that its investment beliefs remain relevant. Two of the revised beliefs specifically cover the importance of responsible investing and stewardship.

Incorporating and acting upon climate risk and other environmental, social and governance (ESG) factors is a significant driver of investment outcomes.

- Integrating sustainability factors into our investment process, from asset allocation and benchmark construction to manager selection and risk management, supports the identification and ultimately the pricing of ESG risk and opportunity.
- Capital allocation by investors and corporations can make a difference in how ESG risks play out and is particularly effective when aligned with policy and regulation.

Acting as responsible long term stewards has a positive and broad impact on member outcomes.

- Where portfolios are well diversified, performance is broadly determined by the global economic systems in which investees operate – engaging with companies, fund managers, and policy makers to improve financial markets and influence the long-term health of these systems is in our members' best interests and part of our fiduciary duty.
- We consider the impact of our investments as an economic actor in our own right and as part of a wider investor community. We believe we can deliver on our investment objectives and have a net positive impact on externalities that affect members' investments and retirement outcomes.

Nest is satisfied relevant ESG issues were considered in 2025/26. A team of six responsible investment experts within Nest Invest has the direct responsibility for researching and managing Nest's responsible investment activities, but increasingly all Nest Invest team members are integrating ESG factors and responsible investing principles within their day-to-day activities.

A full breakdown of how Nest manages ESG risks in the portfolio, including how the pension scheme implements its voting and engagement policy and acts as an active steward of members' money, can be found in the latest annual **Responsible investment report**. A selection of this wide-ranging activity is outlined below.

Voting

Buying shares in publicly listed companies gives Nest's membership part ownership of that company and usually gives Nest the right to vote at their annual general meeting (AGM), where key issues on how the company is run are discussed. Nest's external fund managers exercise the voting rights with regards to the shares Nest owns on behalf of its members.

Nest continues to employ a proxy voting service, Minerva Analytics, to help Nest monitor the voting intentions of its fund managers so the pension scheme can check they are voting in line with its views, or to prompt a discussion if they are planning to vote in a different way, as set out in Nest's voting and engagement policy. The exercise of these votes is published quarterly on Nest's website, and a high-level summary is provided annually in its **Responsible investment report**.

› In March 2026, Nest updated its **Voting and engagement policy** to make clear that it may vote against the board chair where a company has materially scaled back its climate strategy without adequate explanation. The update sets out more clearly how Nest evaluates significant changes to climate-related targets, investment plans or transition timelines and reinforces its expectation that companies maintain credible, transparent transition strategies. Where adjustments are made, boards are expected to provide clear and evidence-based justification to shareholders.

- Across late 2025 and early 2026, Nest undertook a competitive procurement to consider the market options for its proxy voting service provider. This led Nest to reappoint Minerva in February 2026 – Nest's approach to voting and the ability to preview and override fund managers' voting intentions on a subset of investee companies is unique, and Nest concluded that Minerva was able to offer the most bespoke service to facilitate this.
- Every year, Nest's proxy voting service provider carries out a review of Nest's shareholder voting. The last report was published by Nest in June 2025 and covered the 2024 calendar year shareholder voting season. A report covering the 2025 calendar year voting period was published June 2026.

Given the short period in which AGMs occur, it is not practical to provide detailed analysis for every vote where Nest's fund managers' voting intentions differ from the pension scheme's policy. Nest therefore focuses on a subset of holdings to scrutinise how its fund managers exercise votes on issues that are most significant to the pension scheme. Nest can override managers' votes on companies in this subset if they are assessed as misaligned with its own voting policy.

- Between 1 April 2025 to 31 March 2026, 5,347 votes were cast on Nest's behalf, primarily at company AGMs, with 20.4% against management. The graph below shows the pension scheme's votes against management by category for companies in the subset.

Total Resolutions Voted Against Management				
Resolution Category	**Total Resolutions Voted**	**Against Management Votes**	**% Against Management Votes**	**Proportion of Against Management Votes**
Audit & Reporting	539	99	18.37%	9.07%
Board	2994	475	15.87%	43.54%
Capital	571	112	19.61%	10.27%
Charitable Activity	13	1	7.69%	0.09%
Corporate Actions	94	22	23.40%	2.02%
Other	7	7	100.00%	0.64%
Political Activity	50	9	18.00%	0.82%
Remuneration	501	176	35.13%	16.13%
Shareholder Rights	350	86	24.57%	7.88%
Sustainability	228	104	45.61%	9.53%
Total	**5347**	**1091**	**20.40%**	**100.00%**

- During the last voting season (2025), Nest overrode its fund managers' voting intentions 378 times to better align its votes with the pension scheme's policy and beliefs.
- If Nest overrides its fund managers to vote against management recommendations, the pension scheme sometimes engages with the company directly. In the last year, Nest wrote letters to several companies to explain its voting decisions and areas of concern, seeking resolution or ongoing dialogue.

Notable examples of Nest voting overrides include:

- In April 2025, Nest voted for shareholder resolutions asking Johnson & Johnson to undertake human rights due diligence and produce a human rights impact assessment, and asking Amazon.com Inc to commission an independent third-party assessment of its governance and oversight of human rights risks associated with artificial intelligence.
- The next month (May 2025), Nest voted for a shareholder resolution asking PepsiCo Inc to undertake a biodiversity dependency and impact assessment. Nest encourages companies that have a high dependency or impact on natural capital to disclose meaningful and consistent data on the impact and vulnerabilities to natural capital loss, where possible in line with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD).

Examples of Nest's voting activity can be found in the latest Responsible Investment report. Notable votes cast by Nest include:

- At BP's 2026 AGM, Nest 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 for material oil and gas projects. Nest also made a public statement ahead of the AGM setting out our intention to vote against the re-election of BP's Chair. At the AGM, 25.85% of shareholders voted in support of the Nest/ACCR resolution, sufficiently high that BP should consult with shareholders about the outcome and publish a response to the resolution. The AGM also saw BP's Chair, Albert Manifold, receive the support of only 81.8% of shareholder, which represented a material protest vote against a newly appointed Chair and demonstrated the broad dissatisfaction of shareholders with the company's actions around the AGM.
- 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 guidelines on antimicrobial use throughout its supply chains. Ahead of the vote, Nest contacted one of its fund managers to discuss their approach to antimicrobial resistance (AMR) and emphasise that AMR is a material systemic health risk and a long-standing engagement priority. The fund manager considered Nest's views and concluded that, in light of the disclosure gaps and the material significance of the issue, support for the resolution was warranted.

Stewardship

- Over the past year, Nest engaged directly, through correspondence and/or attending meetings with management, with 46 companies. 401 companies were also engaged with on behalf of Nest by its segregated public equity managers, UBS, Lombard Odier and Northern Trust.

Nest participates in wider initiatives to help fulfil its stewardship responsibilities, including being a member of, or signatory to, ShareAction's Good Work Coalition, the Asset Owner Diversity Charter, 30% Club UK Investor Group, Workforce Disclosure Initiative, Climate Action 100+ and Global Canopy's deforestation-free pensions guidance working group. A full list of the initiatives Nest is involved with can be found in the latest Responsible Investment report.

- Nest remains a member of the FAIRR Initiative and its policy working group, the Food Foundation's Investor Coalition on Food Policy, and ShareAction's Long-term Investors in People's Health coalition, through which the pension scheme continues to bring an investor voice to policy discussions and drive systemic change across the food sector. As part of Nest's new social factors framework, health and wellbeing has been established as one of three long-term pillars, ensuring that it will remain embedded in Nest's stewardship priorities and investment decision-making going forward.

Nest is willing to escalate engagement with companies it feels are not managing specific risks to their business and are not suitably engaging with Nest, or its fund managers, on how they're managing the issue. Further examples of Nest's stewardship engagement can be found in the latest Responsible Investment report.

- In December 2025, Nest attended a meeting with Nestlé's 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 an outcome of Nest's engagement, 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.

Stewardship Code

Nest is a long-standing signatory to the Financial Reporting Council's (FRC) UK Stewardship Code. The Code is voluntary, and being a signatory demonstrates an investor's commitment to stewardship and to transparent reporting on the stewardship undertaken on behalf of its clients and beneficiaries.

The FRC's Stewardship Code was revised in 2026, requiring signatories to produce two distinct stewardship publications, each with a different purpose. The publications are a Policy and Context Disclosure, to be produced at least every four years, and an Annual Activities and Outcomes Report.

Nest's Responsible Investment Implementation Policy will be used to provide these Policy and Context disclosures and Nest's annual Responsible Investment report will continue to fulfil the Activities and Outcomes reporting requirements.

- In January 2026, Nest maintained its status as a signatory to the Stewardship Code.

Exclusions

Nest has specific exclusions in place.

- Nest applies a controversial weapons screen to its portfolio, meaning it does not invest in companies directly involved in the production or sale of cluster weapons, anti-personnel landmines or chemical and biological weapons.
  - A triennial review of Nest's policy on controversial weapons was undertaken in April 2024. The review showed the exclusions working as expected and there were no proposed major changes to the **policy**.
- In March 2026, Nest updated its fossil fuel exclusions as part of its climate change policy, seeking to limit Nest's exposure to assets that are heavily involved in activities that are not aligned with the goals of the Paris Agreement. The fossil fuel exclusions strengthen the coal screens by adding an absolute exclusion to the current revenue threshold for both thermal coal production and power generation. A metallurgical coal screen was also added. Nest excludes companies from the portfolio if more than 10% of their revenue comes from Arctic oil and gas exploration and/or oil sands.
- A portfolio-wide exclusion on companies that derive 10% or more of their revenue from distribution of tobacco, supply of key products for tobacco manufacture or production, or the sale of tobacco. The annual review of Nest's **tobacco position** and the letters of assurance from relevant fund managers helps ensure Nest remains tobacco free across its investments. Nest recently reviewed the implementation of its approach to tobacco free portfolios and is satisfied that the portfolio continues to remain tobacco free.
- To mitigate its exposure to ESG risks in some of the pension scheme's investments, Nest implemented a United Nations Global Compact (UNGC) screen within its emerging market equities fund in 2020. The UNGC aims to mobilise the global business community to contribute to sustainable development. The principles cover key areas such as human rights, labour standards, environmental protection, and anti-corruption measures. Companies that breach these principles may face legal, reputational, and operational risks. As a result of the screen, Nest divested from several companies including some that were found to have severe direct involvement in forced labour in the Uyghur region.
- Nest has developed a portfolio-wide policy requiring its segregated fund managers to screen the pension scheme's portfolio, using a third-party data provider, to identify companies that have been assessed as violating or having potentially violated one or more of the UNGC principles. Where violations do occur, Nest sets expectations for its segregated mandate public market fund managers to engage with these companies to get further insights into the breaches and encourage corrective action. By having a screen in place, Nest can assess the ESG risks associated with the investment and work with fund managers to make informed decisions when breaches occur.

As part of a policy framework review, Nest has taken the opportunity to revisit the many policies, guidelines and position papers which have been created to cover different aspects of its responsible investment approach. The intention is to consolidate the existing various standalone policies on areas where Nest restricts investment - for example fossil fuels, tobacco and controversial weapons - into a single exclusions policy document which will be easier to maintain and improve transparency for stakeholders. This work is ongoing.

Nest provides all its investment managers with key policies and guidelines as part of onboarding and ongoing oversight. Managers are expected to have regard to these policies where relevant to their mandate. The pension scheme recognises that the applicability of certain policies will depend on the nature of the asset class being managed. Where Nest identifies a heightened or specific risk, particularly in areas such as climate, stewardship and voting for listed equities, it sets out explicit requirements within the relevant Investment Management Agreement and monitors compliance on an ongoing basis. Nest's ability to set these additional requirements is supported by most of its funds being segregated and actively managed.

Supporting regulation and legislation

Nest has prepared responses to various regulatory investment consultations over the past year. A list of the times Nest has responded to ESG-related consultations can be found in Nest's Responsible Investment report. Notable examples of Nest engaging with consultations over the past year include:

- In March 2026, Nest responded to the FCA's consultation on The Value for Money Framework which proposes to establish a new holistic approach for assessing whether workplace DC pension default arrangements deliver good value for savers. Nest is supportive of the overall direction taken, in moving schemes away from simply being low-cost to focusing on how investment strategies will drive real value for members, especially in more volatile markets.
- In early 2026, Nest submitted a response to the Financial Conduct Authority's (FCA's) **consultation on aligning listed issuers' sustainability disclosures with international standards**. The consultation proposes replacing the UK's current climate disclosure rules for listed companies with a new framework aligned to international standards.
- A representative from Nest was selected in February 2026 as a participant in a Technical Working Group set up by the Department for Work and Pensions (DWP). The group is supporting officials in developing statutory guidance on what trustees of occupational pension schemes may consider under their investment duties, including how they should approach wider long-term and systemic factors and members' standard of living.

Additional information

Investment fund choices

This part of the SIP makes provision for the establishment and oversight of other **fund choices** within Nest.

Nest is continuing work to review the overall fund choice available to members, with a view to ensuring additional fund choices (outside of Nest's default offering) meet Nest members' needs. Nest recognises some pension scheme members will want to prioritise ethical and religious beliefs or want to take a different level of investment risk in how their pension is invested. Alternative funds offered by Nest are the Ethical Fund, Sharia Fund, Higher Risk Fund, and Lower Growth Fund. Any member can switch between these funds, free of charge.

Member engagement

The Pensions Act 2008 required Nest to establish an Employers' Panel and a Members' Panel. The purpose of these panels is to allow employers and members to tell Nest their priorities and to make sure that their voices are heard.

- The Panels are a sounding board for ideas and suggestions proposed by Nest. They provide challenge and recommendations on key issues to make sure that specific member and employer concerns are raised at the Nest Corporation Board level. They are also consulted when Nest reviews the Statement of investment principles (SIP) - the Panels were regularly consulted when Nest reviewed the member demographic and attitudes evidence.

Input from both Panels was sought when Nest proposed new investment objectives and member investment journey paths. When this work was incorporated into changes made to the SIP in 2023, both Panels were further consulted, and their feedback was presented to the Nest Corporation Board when discussing the changes to the SIP.

Nest consults with its members to gather their views on a range of topics, including how they feel about being invested in certain types of industry.

- In early 2026, Nest held its first-ever Member Assembly, bringing together a diverse group of Nest savers, selected to reflect the pension scheme's membership, to discuss and make recommendations on key issues affecting their pensions. This initiative demonstrates Nest's commitment to transparency, accountability, and member engagement. Over two weekend sessions, Assembly members heard from independent experts, deliberated on complex topics, and developed recommendations for Nest's leadership in the form of a short report. Nest will formally respond to these recommendations in 2026. Recommendations from the Assembly will feed into Nest's ongoing decision making for how it invests and acts as an active and responsible asset owner.

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