



CUSTOMER STORY

How Nest Is Making Complex Fund Management Easier and Clearer with Clarity AI & Aladdin®

Clarity AI Solutions Used:

Regulations | Climate

ESG Risk | Aladdin® Integration





Overview



The Opportunity

In 2022, Nest sought a partner to help integrate ESG data into dashboards and processes. Goals included aligning with TCFD and the Stewardship Code, unifying ESG metrics, and informing asset allocation decisions for ESG priorities.



The Solution

Nest implemented Clarity AI's solutions to improve ESG data integration across platforms. Custom dashboards helped monitor fund managers and flag risks like fossil fuel breaches. Integration with Aladdin® merged ESG and risk data, streamlining reporting for frameworks like TCFD.



The Results

With Clarity AI's high-quality data, integrations, and scalable options, Nest now has a consistent set of metrics it can use across different portfolios and the ability to monitor manager performance more effectively. Nest's commitment to sustainable investing is now stronger than ever.

Nest is one of the UK's largest workplace pension scheme, set up by the government to ensure every worker has access to a quality pension. With over 13 million members, Nest helps millions save for retirement through responsible, long-term investment strategies.



Strengthened Commitment to Sustainability

For Nest, sustainable investing isn't a trend—it's a fundamental pillar of how it can deliver stronger returns and a better future for its members. Nest has rapidly expanded its assets under management and now works with 19 external fund managers across a diverse range of asset classes. Each comes with distinctive ESG risks and opportunities, and monitoring this large and complex portfolio requires precise, actionable data that supports responsible investment while aligning with Nest's investment beliefs.

Katharina Lindmeier, Head of Sustainability Strategy, is leading those efforts. Her role is focused on building Nest's approach to climate change and has recently expanded to include nature and biodiversity as key priorities. She works closely with others in Nest's investment team to ensure that ESG risks and opportunities are a central part of the selection process for new mandates, and she engages with Nest's existing fund managers so Nest can continually evolve their approaches in line with best practices for each asset class.



"Nest's strong social purpose and role as a responsible investor is embedded throughout the whole organisation. This means in addition to providing strong investment outcomes for our members, we also seek to make a difference to the society and world our members live in. Our current ESG priority areas are climate change, nature and biodiversity, human capital, human rights, digital rights and technology, diversity and health and food systems."

Katharina Lindmeier, Head of Sustainability Strategy, Nest

Addressing Fragmented ESG Data

While Nest has made great strides in defining its ESG priorities, gathering the data it needed to execute its strategy was challenging. The ESG data landscape is fragmented and disjointed, requiring significant effort to gather information from a wide range of sources. This process is not only resource-intensive but also complicated by the lack of integration between ESG data and mainstream investment risk metrics. As a result, fully integrating ESG considerations into investment processes, which is a core part of Nest's objectives, can be difficult.

To address these challenges, Nest launched a search for a data provider and partner who could support its key activities, including:

- Assessing and ensuring that its funds adhere to their responsible investing standards
- Providing a consistent set of metrics it could apply across different portfolios
- Monitoring fund manager performance on specific policies about values and ethics
- Support Nest in carrying out its own stewardship activities
- Fulfilling reporting requirements like TCFD and FRC Stewardship Code reports
- This is where Clarity AI came into play.

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“We were particularly impressed with Clarity AI’s research process and the platform that allows us to customize data in accordance with different ESG risks and portfolios with different sustainability objectives.”

Here’s how Clarity AI became the essential partner Katharina needed to achieve all of Nest’s priorities while aiming to help ensure excellent returns for members.

Integrating Sustainability is Easier with Clarity AI

Empowered by Clarity AI’s solutions, Katharina was able to tackle two key challenges: monitoring fund managers’ performance to ensure they align with the commitment to ESG guidelines and integrating ESG data across platforms to enhance visibility and strengthen decision-making.



CHALLENGE 1

Monitoring Managers' Approach to Responsible Investment and Stewardship

Nest sets expectations of each manager about responsible investment and stewardship — they're tailored to each individual manager, and vary depending on the market and asset class, which makes them more accurate but also more complicated. The investment team holds an internal quarterly fund manager monitoring meeting to discuss manager performance and review any potential breaches of ESG criteria and other mandates. For example, Nest assesses exposure to areas of potential risk across the portfolio, using data points like exposure to oil and gas, labor rights violations or biodiversity concerns. Clarity AI is helping Nest make these meetings significantly quicker and easier.

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“We use Clarity AI data to develop a dashboard which sets out the different portfolios' exposures to key ESG risk areas as well as compliance with individual mandates. For example, we have used Clarity AI exposure data to help us identify whether managers may have breached our fossil fuel screens.”

This fundamental part of Nest's work is now more accurate and faster at the same time, giving them both efficiency and effectiveness gains. Across all the funds it manages, this time savings is significant.

CHALLENGE 2

Integrating ESG Data Across Multiple Platforms to Manage Risk

Nest recently appointed Aladdin® as its investment risk platform and now uses their climate scenarios to inform its asset allocation process. With the large amount of ESG investment data available but siloed in different formats, processes, and platforms throughout the industry, Nest were looking to onboard a partner that would seamlessly integrate with the Aladdin® platform to create a consolidated platform for investment risk and sustainability analysis.

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“An unexpected benefit of working with Clarity AI has been the existing relationship with Aladdin®, which means that Clarity AI data is available to us through the Aladdin® platform. This has made it much easier to generate reports on our portfolios and integrate ESG data with other risk metrics.”

Data that was previously hard to find and use, scattered across platforms, is now easily analysed and accessed in one tool. Plus, this easy integration has opened even more future possibilities for using both Clarity AI and Aladdin® to further enhance Nest's ESG work and evaluation.

“We have just started to use Aladdin® Climate scenario analysis to help inform our asset allocation decision-making process and we want to build on that using Clarity AI data for other ESG priorities. We are now looking to expand our use of Clarity AI data in Aladdin® to other key processes such as TCFD reporting.”

Summary of Results: Managing Complexity

Nest has transformed its approach to managing a large and complex investment strategy, enabling it to better achieve its ambitious sustainability goals. Clarity AI's platform has empowered Nest to:



Improve fund manager oversight

Nest's quarterly performance meetings are significantly faster to prepare for, with more accurate data.



Strengthen risk management

With a seamless Aladdin® integration, Nest now use Clarity AI data to make more informed asset allocation decisions.



Ensure alignment across portfolios

Nest can now apply consistent ESG metrics across all mandates and track compliance with frameworks like TCFD and the FRC Stewardship Code more efficiently.

What's Next for Nest

Looking ahead, Nest plans to develop an even more sophisticated risk management system to further refine its investment strategy and deliver on its commitments to sustainability and responsible investing. With Clarity AI as a partner, Katharina and her team are well-positioned to take Nest's commitment to investing for a better world, and better returns, to the next level, even in a changing world.

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“Over time, we aim to deliver an integrated risk system that allows us to generate and use data from one source for all levels of our investment process.”

From improving its process to monitor manager performance, to delivering on its responsible investment objectives, Nest's continued success as a leader in sustainable investing is all but assured.

About Clarity AI

Clarity AI is the leading sustainability tech company, leveraging advanced technology and AI to provide data-driven environmental and social insights to investors, corporates, governments, and consumers. AI has been at the core of Clarity AI's offering from the start, supporting a fully flexible set of data solutions, insights, analytics capabilities, and tools used for portfolio management, corporate research and engagement, benchmarking, regulatory report-ing, online banking, and e-commerce. Clarity AI was named a leader by independent research in The Forrester Wave: ESG Data & Analytics, Q3 2024. Within the investment sector, Clarity AI serves a direct network of clients managing over \$60 trillion in assets and includes firms like Invesco, Nordea, Lazard Asset Management, and Santander. Our strategic partnerships with financial institutions such as BlackRock, the London Stock Exchange Group (LSEG), BNP Paribas, Caceis, or SimCorp, allow thousands of users to access Clarity AI advanced data analytics capabilities through their usual investment platforms, ensuring a seamless workflow experience. Clarity AI has offices in North America, Europe, and the Middle East.

For more information visit www.clarity.ai

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