Nest, the National Employment Savings Trust

Scheme annual report and accounts 2023/24

Scheme registration number: 12004537



nestpensions.org.uk

Nest,
the National Employment Savings Trust

Scheme annual report and accounts 2023/24

For the period 1 April 2023 to 31 March 2024



Contents

Chapter 1

Board report **6**

Chair's introduction 8
Scheme facts and figures 13
Governance report 18
Statement of Trustee's responsibilities for the financial statements 34

Chapter 2

Investment report **36**

Statement of investment principles 38
Nest Retirement Date Funds 39
Other fund choices 41
Investment managers 42
Investing responsibly 44
Investment developments 47
Fund performance 50

Chapter 3

Financial statements **52**

Independent auditor's report to the Trustee of the Nest Scheme 54
Financial statements 58
Notes to the financial statements 60
Other useful information 80

Appendices **82**

Appendix 1 84
Appendix 2 86
Appendix 3 88
Appendix 4 90
Appendix 5 92
Appendix 6 98

Chapter 1

Board report



Chair's introduction



Brendan McCafferty, Chair, Nest Corporation

The last year has continued to be challenging for many members. The cost of living and inflation have often meant difficult choices for people. Despite this, members have persisted with saving through automatic enrolment to their Nest pensions pot, with only 9% opting out. This persistency of saving offers peace of mind to members as they build a foundation of financial security on which to retire.

The year in review

Nest Corporation and its Board of Directors are the Trustee of the savings our members accumulate. We make decisions in the members interest, and we do that conscious of the importance of value for money in our costs and charges and the importance of delivering our investment goal of returns that are 3% higher than the Consumer Price Index (CPI) over the long term.

We have remained focused on enhancing the value of members' investments over the long term, introducing new investment mandates aimed at delivering the best retirement outcomes for our members. Diversification of our investment strategy through these new mandates offers alternative types of investments in private markets and infrastructure whilst supporting our commitment to responsible investment. Our 'default' investment approach continues to perform well, with 10-year annualised returns of 8% outperforming our objective of 6%.

The Scheme invests at scale in the United Kingdom, more than a fifth of our investments are based here. Nest members are UK workers and through our £8.3 billion investment we help support their jobs, their communities and the infrastructure they use. Our members money has placed £1.5 billion into infrastructure projects including renewable energy, housing and fibre networks, benefiting the local communities in which members live and work. We support major employers, investing £3 billion into shares and corporate bonds of established UK companies. These investments help support a thriving UK economy, which boosts our members salaries and pension pots. We will continue to look for opportunities here in the UK and expect to have £20 billion invested by the end of the decade.

In July 2023, we announced that Helen Dean had decided to step down as the CEO of Nest Corporation. The strong position Nest finds itself in today is in no small part down to Helen and her excellent leadership. Helen was one of the architects of the hugely successful auto-enrolment policy at the Department of Work and Pensions (DWP), before moving to The Personal Accounts Delivery Authority (PADA), Nest's predecessor, with the task of building a low-cost, high-quality pension scheme from scratch. Helen's energy, expertise, and passion for the project has been an important part of our success, responsible for helping 13 million members build towards a financially secure retirement. I want to thank Helen sincerely for all her hard work and skill as Nest CEO.

Helen's departure in April 2024, after the Scheme year-end, saw the appointment of Ian Cornelius as our interim chief executive. Ian brings 25 years of experience in senior executive roles with leading financial services brands including over ten years at Skipton Building Society, a Mutually owned organisation. Ian's expertise in retail financial services and customer insight will be valuable as we build on our achievements and accelerate our purpose-driven plans that keep our low to middle income members at the heart of everything we do.

How we performed

As at 31 March 2024, we were investing pension savings for just over 13 million Scheme members, equivalent to 43% of payrolled employees in the UK.[1] Within our membership, close to 4 million members contributed into the Scheme at the year-end, with an average of over £600 million in new contributions received each month. Some members have contributions going into their pot every month, some only now and then, and some have a pot from a previous employment in our safekeeping.

The large majority of Scheme members remain in our 'default' investment approach. The 2040 Nest Retirement Date Fund, for members expecting to retire in 2040, is representative of the phase when we seek growth for our members savings. Our long-term objective is to achieve investment returns of at least 3% above inflation as measured by CPI. The 2040 fund's annualised returns over one-year of 14% outperformed our objective of 6%. The positive performance of the Scheme over the last year exceeded our expectations, however as always, we remain focused on the long-term investment horizon. Our diversified investments are designed to reduce volatility and our 10-year annualised returns of 8%, continues to outperform our objective of 6% over the same period.

1 Labour Market overview, UK - Office of National Statistics **(ons.gov.uk)**

Over the past year interest rates and inflation have remained higher than recent history, impacting household finances. Through 2023/24, we have taken great pride in knowing members continue to save with us despite squeezes on their personal finances. We recognise that members are looking to us, to help provide comfort and financial peace of mind when thinking about the future and we work hard to demonstrate to our members the importance of saving over the long-term to help them achieve better retirement outcomes.

Developing our investment strategy

As at 31 March 2024, we were managing £40.6 billion on behalf of the Scheme's members. Our evolving investment strategy allocates funds between growth-seeking, capital preservation and income-seeking assets with the aim to best meet members' different needs throughout their saving journey.

Throughout the year we have launched new investment mandates designed to offer diversification, alternative return opportunities and support for our commitment to responsible investment. In September 2023, we announced our future investment into timberland in summer 2024. This form of natural capital will allow us to invest in productive forest lands, providing diversification into an asset that has traditionally shown low correlation with traditional stocks and bonds, as well as resilience to shorter term market dynamics. In February 2024, we announced the development of our multi-thematic equity fund with Lombard Odier. Through actively investing based on key themes such as climate change mitigation, natural capital and key social issues, we aim to provide sustained investment growth opportunities across our portfolio.

These new mandates will aid progress towards our ambition to be a 'net-zero' investor by 2050 at the latest, with the shorter-term target of halving the carbon footprint of the scheme's investments by 2030. As at 31 March 2024, around half of total net assets were held in climate-aware equities. We believe that in order to fulfil our duty and to protect and enhance the value of members' investments over the long term, we must act as a responsible and vigilant asset owner and market participant.

Over this last year we escalated our engagement on managing climate risk within our portfolio. We co-filed a shareholder resolution at Barclays 2024 annual general meeting asking the company to issue a report describing how it is responding to the risk of stranded assets of planned new oil and gas infrastructure and assets. Barclays' CEO has committed to an annual meeting with the co-filing group, and we look forward to continuing the engagement. We joined new investor initiatives over the last year to help deliver on our responsible investment priorities and contribute to new industry investor frameworks. For example, we contributed to the development of the sector-specific Asset Owner guidance published in April 2024. We also participated in a thematic working group on embedding low carbon transition considerations into the framework.

Serving our customers

We build our service based on our understanding of the needs and behaviours of our customers. A core element of this commitment is delivering a reliable service which helps maintain good customer satisfaction. In 2023/24, 71% of surveyed members and employers stated we deliver a good to excellent service.

Clear communication is a critical tool in ensuring our service remains easy to use for members and employers. We've continued to improve the quality of our messaging and the number of channels in which we interact with our customers. We have increased the scope and number of our employer webinars, providing practical guidance on such things as automatic enrolment regulation updates, late payments and "how to" demonstrations. We have explored new online channels and delivered proactive direct communications designed to provide valuable information to members to help them make the most of their Nest account. These campaigns aim to help demystify pensions and build our members' understanding and trust in saving into their pension.

Delivering a reliable service during a forecasted period of growth requires us to adapt our systems and processes to manage the increased scale and complexity of the Scheme. In May 2024, we announced the appointment of Northern Trust as our new partner for fund administration. The partnership with Northern Trust provides a platform capable of managing growth across our highly diversified portfolio, enhancing the investment services available to members, and supporting the implementation of our private markets programme.

Evolution of our service is vital to keep pace with growing customer expectations, advances in technology and the ever-evolving threats from fraud and cybercrime. Through our partnership with our scheme administrator, we aim to transform our service through a modern, componentised architecture that has data and insight at its heart. The service will be supported by a commercial framework that focusses on the quality of experience our customers receive. We continue to progress the transformation programme with our new service delivering enhanced value to members from summer 2025.

Our new scheme and fund administration solutions will be developed to provide the data and insight we need to understand our members and their needs. This insight will be central in the decision-making process, influencing our scheme design and investment approach.

Looking forward

As we action our new customer strategy, we will update and improve the services we offer our customers. Following the Government's published consultation response on helping savers understand their pension choices, we will develop our customer proposition to support Government objectives on financial resilience and pensions provision. We continue to support the DWP and Money and Pensions Service (MaPs) in the delivery of the pensions dashboard programme, providing individuals with access to clear and simple information about their multiple pension savings. Through our transformation programme we will refresh the technical architecture and core journeys our customers experience. These changes will improve our services, ensuring interactions with the Scheme are as easy as possible.

Nest Insight continue to research how best we can support people to be financially secure, both today and into retirement. Recent published studies have investigated themes around pension adequacy, auto enrolment's impact on borrowing behaviours and the understanding of peoples lived financial experiences. Our findings are made available, and are valued by, policy makers and market participants. In sharing these resources we aim for as many people as possible to benefit from our work.

Governance and stewardship

Strong governance is key to ensuring good outcomes for our members. Diversity of thought and experience is vital in ensuring that strong governance. This year we have extended the Board's range of experience with three new appointments, Helen Copinger-Symes, Nina Hingorani-Crain, and Nikki Marsh. Our new members provide a wealth of knowledge and diverse skills across financial services, public sector and delivering a customer-centric culture. I would like to thank outgoing members Mutaz Qubbaj and our CEO Helen Dean for their dedication and meaningful contributions to the Board during their tenure.

Dependable access to Scheme services would not be possible without our key business partners – our Scheme administrator, TCS, and our fund administrator, State Street Bank and Trust Company (STT). Through the provision of a reliable, quality service they enable us to deliver on our purpose.

Nest is committed to being open and inclusive while remaining focussed on the low to median earners we were set up to serve; we seek to support members through propositions that meet their needs, along with exemplary investment practice and good returns. The passion of the talented team at Nest Corporation and their dedicated hard work shapes the future of the pensions industry and I want to fully acknowledge their skill and dedication. As the Scheme continues to grow, we will remain singularly focused on our low to middle income earner, members' best interests, and delivering a pension they continue to have good reason to trust.

Brendan McCafferty
Chair, Nest Corporation

Scheme facts and figures

Introduction and constitution

The Nest Scheme, or simply the Scheme as it will be referred to in this report, was established by the National Employment Savings Trust Order 2010, known as the Nest Order. The Nest Rules[2] document sets out how the Scheme is designed and operates. The Trustee of the Scheme is Nest Corporation (see 'About the Trustee' on **page 18**).

Together these two documents make up the Nest Order and Rules and are the legal framework that governs the Scheme and Nest Corporation as the Trustee of the Scheme.

The Scheme is a registered pension scheme for tax purposes under the Finance Act 2004 and was registered with HM Revenue & Customs on 21 January 2011. As such, most of the Scheme's income and investment gains are free of direct taxation.

In 2019 the Scheme received master trust authorisation from The Pensions Regulator (TPR). A master trust is a pension scheme used by two or more employers to provide money purchase benefits on retirement.

Master trust authorisation and master trust supervisions were introduced as part of the Pension Schemes Act 2017. Authorisation requires all master trust pension schemes operating in the UK to meet TPR's standards in the areas of governance, operations, planning, funding, and future sustainability.



2 **nestpensions.org.uk/schemeweb/nest/nestcorporation/how-nest-is-run/order-and-rules.html**

Key figures as at 31 March 2024

About the scheme

Scheme members



13m
total members

3.8m
contributing members[3]

9.2m
non-contributing members[4]

52%
male

48%
female

0.01% of Scheme membership did not have a gender listed on their Scheme enrolment

Scheme employers

1.1m
employers

21k
self-employed members[5]

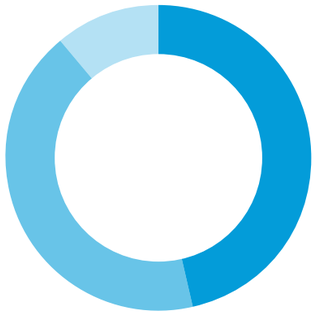
34k
Nest Connectors[6]

3 Contributing members are those who made contribution in March of the year under review.
4 Non-contributing members are members other than Contributing members.
5 Where a member has been self-employed and has not since been enrolled by an employer. This will therefore not include members that have left all employers but still retain their self-employed enrolment.
6 These are intermediaries, such as accountants and payroll providers, using the Nest Connect service and delegated by an employer to perform some or all of the employer's Scheme account management for them.

Scheme facts and figures

Managing members' money

Annual contributions



£7.3bn
total annual contributions

£3.4bn
members

£3.1bn
employers

£0.8bn
tax relief

Delivering customer services

99%
Service channels were available more than 99% of the time in 2023/24

71%
Member satisfaction[7]
(from the 'Voice of the customer' survey December 2023)

71%
Employer satisfaction[8]
(from the 'Voice of the customer' survey March 2024)

2040 Nest Retirement Date Fund[9]

8.3%
Ten-year rolling annualised returns after annual management charges to 31 March 2024

7 Satisfaction scores are based on those giving a 7–10 score on a 10-point scale and excludes those responding, 'don't know'. They are drawn from the most recent annual survey of employers or members. Quarterly surveys, with a smaller respondent base, are also conducted.
8 The annual employer survey in March 2024 was conducted using an online survey method. Before 2021 the survey was conducted by telephone.
9 The Scheme's default fund series, the Nest Retirement Date Funds, is 'lifestyled', where members' assets are managed according to their age as well as how markets are performing. There are four main phases in the lifestyled investment strategy: foundation, growth, consolidation, and post retirement (see 'Nest Retirement Date Funds' on **page 39**). The 2040 fund, for members expected to retire in 2040, is currently representative of the growth phase, which is where most members' money is invested for the longest period of time.

Service providers and advisers retained by the Board

Scheme administrator
Tata Consultancy Services Ltd (TCS)

Investment funds administrator
State Street Bank and Trust Company (STT)

Custodian
State Street Bank and Trust Company (STT)

Bank
National Westminster Bank plc (joint tri-party contract between NatWest, Nest Corporation and Tata Consultancy Services)

Investment managers
Allspring Global Investments (UK) Ltd
Amundi Asset Management
Amundi (UK) Ltd
BlackRock Inc
BlackRock Life Limited (from October 2023)
BNP Paribas Asset Management Nederland NV
CBRE Investment Management Inc
Columbia Threadneedle Investments
CoreCommodity Management LLC
HarbourVest Partners
HSBC Global Asset Management (UK) Ltd
J.P. Morgan Asset Management (UK) Ltd
Legal & General Investment Management Ltd
Local Pensions Partnership Investments Ltd / GLIL
Lombard Odier Asset Management (Europe) Limited (from February 2024)
Northern Trust Global Investments Ltd
Octopus Investments Limited
Royal London Asset Management Ltd
Schroders Capital Private Equity Wollestonecraft Management Ltd
State Street Global Advisors Europe Limited
UBS Asset Management (UK) Ltd

Investment advisers
Nest Invest Ltd

Lawyers
CMS
Eversheds Sutherland (International) LLP
Travers Smith LLP

External auditor
KPMG LLP

Internal auditor
Ernst & Young LLP

Tax advisors
Deloitte LLP

Membership

The Scheme's membership in 2023/24 grew as follows:

Member numbers

	Year ended 31 March 2024	Year ended 31 March 2023
Members at the beginning of the year	**12,007,913**	**11,093,656**
New members*	1,481,215	1,618,517
Members opting out or de-enrolling	(220,688)	(212,150)
New members joining in the year	**1,260,527**	**1,406,367**
Less		
Members retired	(118,193)	(90,457)
Members transferred out	(117,309)	(88,730)
Members deceased	(8,623)	(7,900)
Closure of member accounts**	-	(305,023)
Members at the end of the year^	**13,024,315**	**12,007,913**
Contributing members†	3,770,497	3,773,670
Non-contributing members	9,253,818	8,234,243
Members at the end of the year	**13,024,315**	**12,007,913**

* New members enrolled by employers and self-employed registrations for the relevant reporting period, 1 April to 31 March. This includes members who subsequently de-enrolled or opted out in the same period.
** During the reporting period, 1 April 2022 to 31 March 2023, and following consultation with impacted members, the Trustee agreed to close a number of member accounts that had been inactive zero pots for over 12 months.
^ This includes 161,277 members who have a zero pot (2022/23: 110,092).
† Contributing members are those who made contribution in March of the year under review.

Contributions and charges

Employers choose a contribution rate which must match or exceed the minimum amounts set by the Secretary of State for Work and Pensions. The employer also decides how the contribution rate will be divided between the employer and the Scheme member, subject to legal minimum contribution levels.

Employers set a payment frequency for making contributions and their payment due date for each payment period. Employers then make payments each period by their chosen date. If the Scheme does not receive both a contribution schedule and a payment to match this schedule, the Trustee has appropriate procedures for reminding the employer that a payment is due.

If member or employer contributions are not paid on time and the Trustee has reasonable cause to believe that the late payment is material, the Trustee must report the matter to TPR and to the member concerned within a reasonable period after the due date. During the financial year running from 1 April 2023 to 31 March 2024, 632,095 of contribution events were reported to TPR (2022/23: 532,786). This equates to 6.0% of contribution events (2022/23: 5.1%) and is in line with the growth in the Scheme's membership.

The Scheme deducts a 0.3% annual management charge on the total value of a member's pension pot and deducts a 1.8% charge on the value of each new contribution paid into a member's pot. The majority of Scheme members are aged 20 to 39 and will be saving into their pension pot for an extended period. These two charges together broadly equate to an effective annual management charge of less than 0.5% over the long term. As such the Scheme's charges are within the charge cap set by the government, which is currently 0.75% of fund value.

Services at retirement

Although the Trustee is not authorised to provide financial advice, the Scheme members are supported in the years immediately before retirement with appropriately tailored information and simple processes. When a member gets close to their State Pension age or other selected retirement age, the Trustee gives them information on their options for changing how their money is invested, or for taking their money out of the Scheme.

Members' options include:

- Deferring their retirement date.
- Taking their whole pension pot as cash, either as a single withdrawal in full or as a series of partial withdrawals.
- Transferring their pot into one of the Scheme's other fund choices.
- Allowing their pot to be rolled over automatically into one of the Scheme's post-retirement funds, either the Nest Guided Retirement Fund (when eligibility requirements are met) or the Nest Post Retirement Fund.
- Transferring to another registered pension scheme.
- Transferring to a retirement income (annuity) provider.

The FCA published a thematic review on retirement income advice in March 2024. As part of this review the FCA highlighted several requirements that have been introduced to help consumers in decumulation. These were driven largely by the Retirement Outcomes Review and include:

- Earlier and more frequent wake-up packs
- A 'stronger nudge' to Pension Wise guidance
- Investment pathways to help non-advised drawdown consumers choose investments better aligned with their retirement objectives
- Retirement risk warnings to be given when a consumer has made a decision in principle on how to access their pension
- Cash warnings so that non-advised drawdown consumers invest wholly or predominantly in cash if they have taken an active decision to do so.

Members can use both Pension Wise and The Money & Pensions Service for getting free guidance during their retirement journey, the details of which can be found in 'Other useful information' on **page 80**.

Governance report

Chair's governance statement for the year ended 31 March 2024

This governance report has been prepared in accordance with the provisions of regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

Organisational structure

The organisational structure of the Scheme's Trustee is described in this section.

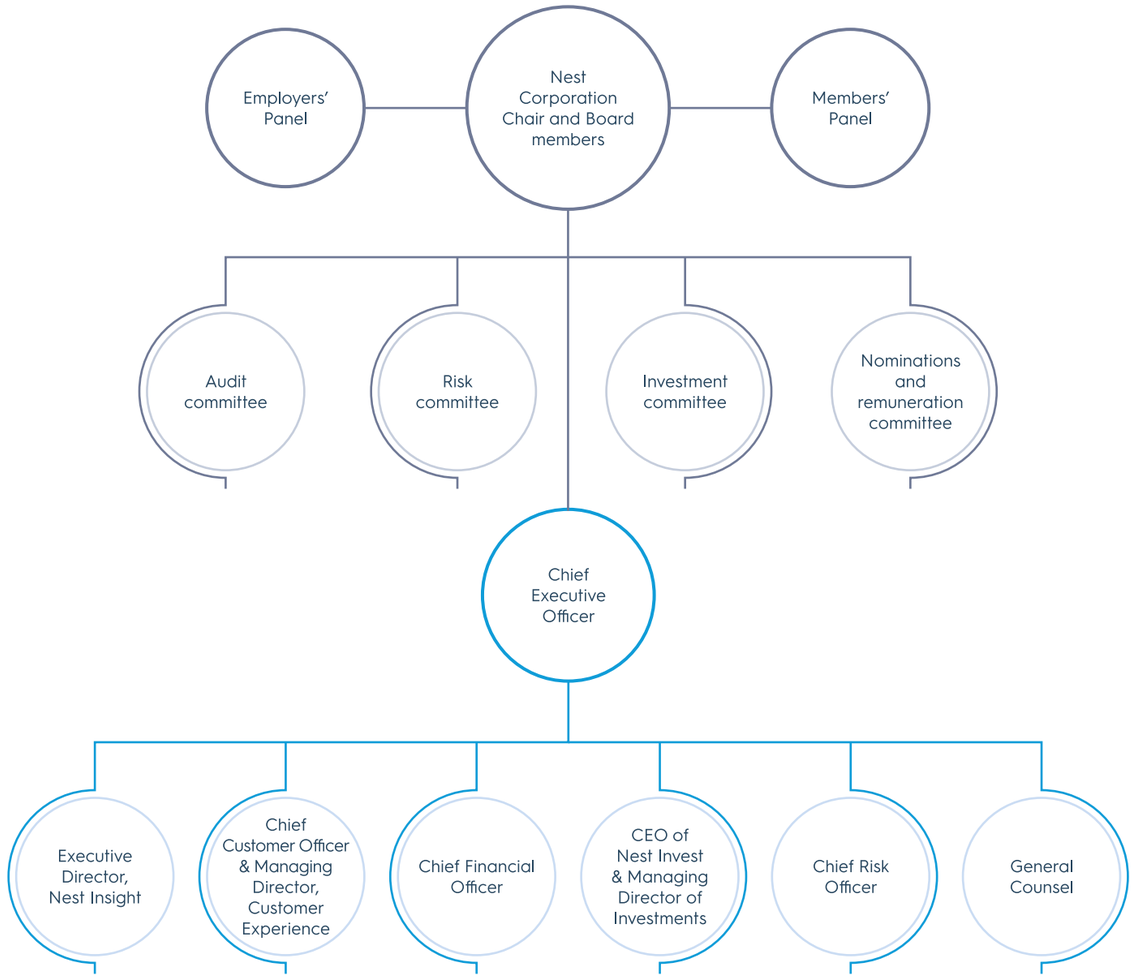
About the Trustee

Nest Corporation was established on 5 July 2010 to be the Trustee of the Scheme, the Trustee's role is to develop and operate the Scheme. Nest Corporation's function is set out in the Pensions Act 2008. The Nest Order and Rules set out how the Scheme will operate (see 'Scheme facts and figures' on **page 13**).

Nest Corporation is a public corporation sponsored by the Department for Work and Pensions (DWP) as a key component of the government's workplace pensions auto enrolment policy. The Trustee's working relationship with the DWP is set out in a framework document. The 'Corporation annual report and accounts' is produced separately from this document and can be found on the website.[10]

10 **nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html**

Organisational chart as at 31 March 2024



Executive committee

Biographies of the Trustee's executive committee are available online at **nestpensions.org.uk/schemeweb/nest/nestcorporation/who-runs-nest/executive-team.html**

The Board and committees

The Trustee is comprised of up to 15 Board members and the employees of Nest Corporation. The Board members are collectively referred to as the Board of Nest Corporation, or simply the Board.

Collectively the Board is responsible for setting the strategic direction and objectives for Nest Corporation as the Trustee of the Scheme and representing Scheme members' interests.

For more information about the Board members, visit **nestpensions.org.uk/schemeweb/nest/nestcorporation/who-runs-nest/trustee-members.html**

Appointments

Since Board members are appointed by the Secretary of State for Work and Pensions, Nest Corporation works with the Public Appointments' team to undertake recruitment processes in line with public appointments guidance which promotes selection on the basis of merit, fairness, and openness. A broad range of skills, experience and knowledge are required collectively on the Board. Appointments are also made in line with the Commissioner for Public Appointments' 'Principles of public appointments' and Cabinet Office guidance.

Provisions are in place within Board members' terms and conditions which give appropriate controls for the removal from office of Board members. The provisions also specify the conditions in which this can be done.

All Board members, including the Chair, were non-affiliated at the time of appointment and continue to be so throughout their term of appointment. This means they have had no current or previous material relationship with Nest Corporation or the Scheme as an employee, officer or contractor and have no connection to a service provider in respect of the Scheme. This is with the exception of the then Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), who are employees of Nest Corporation, and Chris Hitchen, who previously served as a Board member of Nest Corporation between 2010 and 2015.

During 2023/24, one Board member left the Board in May 2023, three new non-affiliated Board members were appointed on 1 June 2023 and following the departure of one Board member in April 2024, a recruitment process commenced to appoint up to five new Board members later in 2024.

Biographies of all individuals who were Board members at any point during 2023/24 can be found on **page 23**.

Experience and skills

Board members bring a range of experience and skills. Collectively these include investment, pensions, risk, member representation, finance, audit, digital transformation, governance, and business management. As noted above, biographies for Board members are on **page 23**.

As at 31 March 2024, every Board member had completed TPR's trustee toolkit, an online learning programme. New Board members must complete this within their first six months in addition to a detailed induction programme tailored to their requirements, skills, qualifications, and experience.

The induction process familiarises all new Board members with several key areas, including the Scheme's governance structure, governing documentation and pensions and trust law. It also provides opportunities for new Board members to meet key staff across Nest Corporation.

The Board has a good working knowledge of the Nest Order and Rules, 'Statement of investment principles' (SIP)[11] (see **page 38**), governing documentation and policies as they apply to the Scheme. This is provided as part of the induction process and through appropriate approval processes surrounding these documents. Board members also receive regular refresher training on legal authorities and responsibilities, including those set out within the Order and Rules and governing documentation of Nest Corporation. This knowledge is monitored through analysis of the annual skills and experience questionnaire. In addition, where necessary, the Board has sought guidance and advice from internal and/or external advisors on the application of the provisions and powers of the Nest Order and Rules, SIP and/or relevant policy documents, which includes advice and applicable regulatory guidance and clarity on the resultant legal obligations.

During the induction process Board members are also provided with training on the Trustee's investment approach. This knowledge is monitored through the skills and experience analysis.

11 **nestpensions.org.uk/schemeweb/nest/nestcorporation/investment-approach/investment-principles.html**

Each year Nest Corporation's secretariat team conducts a full skills and experience analysis of Board members. Board members are requested to complete a questionnaire detailing their essential and desired skills. Any requirements are met through briefing sessions and individual commitment to ongoing education and training. During 2023/24, Board members received briefings or training on a number of topics during the year, including Board Effectiveness, Risk Culture, mortality pooling and later life income and thematic investing.

The Trustee has three investment specialists serving on the investment committee but not the Board. This helps to ensure continued appropriate oversight and challenge of the Scheme's investment strategy.

The investment objectives for the Scheme are set out in the Trustee's SIP. On a quarterly basis, the investment committee (see **page 22**) meets to review the Trustee's investment approach. The investment committee reviews the SIP on an annual basis and assesses whether it continues to meet members' needs. During 2023/24 a more detailed triennial review of the SIP was undertaken. The committee reports its recommendations to the Board. Both the investment committee and the Board receive regular updates from the CEO of Nest Invest (see 'Resources available to the Board' below). On an annual basis, the Board reviews whether the Trustee's investment approach remains aligned with the SIP.

Effectiveness reviews

Effectiveness reviews for the Board and its committees take place annually. In line with best practice in the master trust sector and in corporate governance more generally, the Trustee engages an external facilitator for this review once every three years. These reviews contribute to the assessment of how the combined knowledge and understanding of Board members enables them to properly exercise the Board's collective functions and responsibilities for the Trustee.

The nominations and remuneration committee (see **page 22**) is responsible for overseeing the review process and implementation of recommendations.

The last externally led review was conducted by Board Alchemy in 2023/24. The results of the review were considered by the nominations and remuneration committee at its meeting on 14 March 2024 and by the Board at its meeting on 21 March 2024. This review provided assurance that the Trustee's governance framework continues to operate effectively and outlined recommendations for the future.

Resources available to the Board

The combined knowledge and understanding of Board members, and the diversity of their background, skills, and experience, is supplemented by a range of advice available to them when making decisions. This includes, for example, access to legal advice from Nest Corporation's general counsel and investment advice from Nest Invest, as well as advice from external advisers.

Nest Invest is the Trustee's investment subsidiary which is authorised by the Financial Conduct Authority (FCA) as an occupational pension scheme (OPS) firm. The CEO and the Chief Investment Officer (CIO) of Nest Invest are approved under the FCA's Senior Managers and Certification Regime. As an OPS firm, Nest Invest can act on behalf of the Trustee to provide regulated advice, arrange deals, and provide instructions to investment managers with regards to the investments in the Scheme's portfolio.

Collectively, such resources enable the Board to properly exercise its functions for the Trustee with respect to the Nest Order and Rules, the SIP and other relevant laws and legal obligations.

Nest Corporation's secretariat function provides ongoing oversight of the resources available to the Board, along with the Board's overall diversity. These are also monitored and assured annually through the skills and experience analysis of Board members.

To support effective and robust decision-making, the Board is supported by four standing committees (see **page 22**). The Board and its committees take decisions that affect the Scheme and ensure that Nest Corporation fulfils its obligations as a public corporation and as Trustee of the Scheme. The terms of reference for the Board and its committees are published on the website.[12]

Article 8 of the Nest Order 2010 sets out the remit for the Employers' Panel and the Members' Panel (see **page 27**) in accordance with the requirements of the Board under the Pensions Act 2008. As requested by the Board, these panels must give assistance and advice about the operation, development, or amendment of the Scheme. Further details of the work carried out by the committees and panels during the year can be found in the 'Corporation annual report and accounts'.[13]

12 **nestpensions.org.uk/schemeweb/nest/nestcorporation/who-runs-nest/trustee-members/trustee-committees.html**

13 **nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html**

Member views and feedback

In addition to feedback received from the Members' Panel and the Employers' Panel, the Board reviews research about customers of the Scheme. The Trustee conducts research aimed at understanding what Scheme members think and feel, and how the Scheme and Nest Corporation's services are performing against the Trustee's objectives.

The 'Voice of the customer' research programme surveys several thousand Scheme members a year and also members of other pension schemes. Surveys are sent four times a year to track indicators such as support for auto enrolment, overall satisfaction with the Scheme, engagement with the Scheme, retirement plans and contact frequency.

The Trustee also proactively seeks member views by:

- Surveying Scheme members who have experienced a key process, such as a transfer in or out of the Scheme, to assess satisfaction and ease of use of the process.
- Surveying a random selection of members who have used the contact centre to assess their level of satisfaction with the interaction.
- Maintaining an online member research community called 'Your way' through which the Trustee's product and investment teams are able to carry out research directly with the Scheme's membership and hear member feedback.

The Trustee also has reactive channels through which Scheme members provide feedback at their convenience:

- A survey link is included in the member help centre on the website.
- Social media platforms like Facebook and Twitter are monitored, and the Nest Corporation service delivery team actively responds to this feedback. The Trustee also invites members to rate them and provide feedback using the Trustpilot review site.

The Trustee analyses any changes in the demographic characteristics of the Scheme's membership.[14] This data is used to help design better communications and identify ways to improve the Scheme. The Trustee is always looking to grow the Scheme in the right direction for its customers and is committed to helping Scheme members achieve their retirement goals.

Delegations

A scheme of reserved matters and delegations outlines the matters reserved to the Board and delegations to the committees. Decisions which are not reserved to the Board, or a committee are delegated to the CEO, who is responsible for the day-to-day operations and management of Nest Corporation and the Scheme.

The CEO delegates authority to each member of the executive committee and holds them accountable for delivery in their remit. To provide oversight of the operations of Nest Corporation and the Scheme, and to provide advice to the CEO on key issues within the CEO's delegated authority, the executive committee meets at least monthly, and the CEO provides formal reports at Board meetings.

Audit committee

The audit committee is responsible for monitoring the integrity of the financial statements for Nest Corporation and the Scheme, and the validity of the assurance given on them. It monitors the internal controls framework and the effectiveness of internal audit and compliance functions.

Risk committee

The risk committee is responsible for advising on overall risk strategy and risk appetite. It considers all aspects of risk, and the management and oversight of those risks, which could affect the Scheme and Nest Corporation.

Nominations and remuneration committee

The nominations and remuneration committee is responsible for overseeing Nest Corporation's remuneration strategies and organisational culture to enable it to attract and retain talented staff with the right capabilities. It also provides oversight of the corporate governance processes within Nest Corporation by assessing whether governance arrangements are adequate, appropriate, and operating effectively. This committee also monitors corporation culture, capability, and capacity risk.

Investment committee

The investment committee is responsible for overseeing the Scheme's investment strategy and any changes to the investment approach or the funds made available to members. The committee also monitors investment performance and operational investment risks.

14 **nestpensions.org.uk/schemeweb/dam/nestlibrary/member-evidence-research-report.pdf**

The Board

As at 31 March 2024, there were eleven Board members, including the Chair. Three new, non-affiliated Board members were welcomed to the Nest Board during the 2023/24 financial year and one Board member's term ended during the period.

























Biographies of Board members are available online at **nestpensions.org.uk/schemeweb/nest/nestcorporation/who-runs-nest/trustee-members.html**

1. Brendan McCafferty

Chair, Nest Corporation from 1 February 2022

Brendan was appointed Chair of the Board of Nest Corporation by the Secretary of State for Work and Pensions effective 1 February 2022. He has had a long career in financial services, as CEO of large insurance companies and brokers, including for AXA, Brightside and Willis Towers Watson. In addition, Brendan was the founding CEO of Flood Re, a public body and a 'world first' solution to a market failure in flood insurance. He now also sits on the board of a specialist insurance company and is Chair of a private equity backed insurance broker.

Brendan lives in the northwest of England and is a qualified accountant. He has also been a trustee of two registered charities for many years – Blueprint for Better Business, which encourages businesses to define their purpose and be a force for good in society, and of the Catholic Diocese of Salford. He also sits on the Professional Standards committee of the Chartered Insurance Institute.

2. Myfanwy Barrett, CB

Board Member from 1 July 2021

Chair, Audit committee from 1 February 2023

Myfanwy has served as a non-executive director at The Pensions Ombudsman (TPO) since 2021. She is a qualified accountant (Chartered Public Finance Accountant), and her executive career was in public finance. She was Corporate Director of Finance at Harrow Council and Managing Director of Corporate Services at the House of Commons. She has experience leading a wide range of services, including the Member of Parliaments' Pension Scheme and the Local Government Pension Scheme (LGPS), as well as strategic planning, people, and portfolio management.

Myfanwy is currently also a Director of Plumbing Pensions (UK) Administration Ltd, Senior Independent Board Member at Ocean Housing Group, Trustee and Treasurer of Morrab Library and a Trustee Director of Newlyn Art Gallery & The Exchange, the Whitechapel Gallery and Shelter. She was previously a member of two Tate Committees.

3. Karen Cham

Board Member from 1 July 2019

Karen is Professor of Augmented Intelligence, Digital Transformation Design at Kingston Business School. Here she heads up 'The BRAINS Lab' with behavioural scientist, Professor Gaelle Vallee Tourangeau, an interdisciplinary unit dedicated to an inclusive, ethical and sustainable digital future. Her previous role at the University of Brighton was professorial lead for the Connected Futures research and enterprise programme, which included digital economy, digital health, complex systems and immersive, simulation and virtualisation. As part of this, she is also academic lead of the Digital Catapult Centre 5G Brighton project, part of the government's 5G strategy.

Karen is an expert in user experience design and designing for behaviour change. Her research concerns designing for persuasion, emotion and trust, and she specialises in the digital transformation of values at scale and ethical practice. She has worked in e-commerce, fintech, health and care, arts and heritage, games, e-learning, military and defence. In her 28-year career in human-centred design and build her clients have included PlayStation, Diesel, ITV, Topshop, Which?, EY and ?What If! Innovation.

She is a fellow of RSA The royal society for arts, manufactures and commerce.

4. Helen Copinger-Symes

Board Member from 1 June 2023

Helen has over 30 years' experience in the pensions and investment industry, initially in fixed income capital markets, followed by an extensive career in institutional asset management focusing on UK pension funds.

She has worked for several global investment firms including Deutsche Asset Management, Invesco Perpetual, AllianceBernstein and State Street Global Advisors, in addition to a boutique equity hedge fund. Helen has considerable experience working with defined contribution pension plans, their underlying investment structures and development with a strong member focus. Helen currently serves as Chair of the Pension SuperFund (PSF) Holdings and PSF Sponsor boards.

She is also a Trustee and Chair of the investment committee for DHL (UK) Foundation, overseeing the Foundation's portfolio of assets. Helen previously served as a Trustee for the Rifles Museum Regimental Trust.

5. Helen Dean, CBE

Board Member from 1 June 2018 to 30 April 2024

CEO, Nest Corporation

Helen has been a leading player in delivering pension reform, having worked at the DWP to design a solution to the UK's problem of chronic under-saving in pensions. She has worked in pensions for 20 years, firstly from inside government as a policy maker.

She led the product marketing and operations arms of Nest Corporation before becoming CEO in September 2016. She is a mentor to women in the pensions industry and has established a senior leadership programme to cultivate the next generation of diverse leaders for Nest Corporation's future.

Helen is also a non-executive trustee director of the debt charity StepChange, a member of HM Treasury's Asset Management Taskforce and a governor of the Pensions Policy Institute. Since January 2024 she has also taken on a new role as an Independent Chair of the Governance committee of Your Island Pension Scheme, Guernsey.

6. Nina Hingorani-Crain

Board Member from 1 June 2023

Nina has had a diverse 25-year career with leadership roles in the public, regulatory, corporate and charity sectors. Her executive career was largely in financial services and includes ten years advising UK and global financial services organisations, followed by ten years in senior roles at the UK's financial regulator, including as Chief of Staff and Principal Private Secretary to the Chair of the Financial Services/ Conduct Authority during the global financial crisis.

After leading the establishment of the Financial Conduct Authority, Nina undertook a six-month secondment to Age UK to inform the strategy of placing consumer needs at the heart of the new regulatory mandate, which laid the groundwork for the regulatory focus on vulnerable customers.

Since 2015, Nina has focused on a non-executive career and has sat on several boards in the public and private sectors. She currently serves on the boards of National Savings & Investments, and an NHS Foundation Trust.

7. Chris Hitchen

Board Member from 1 June 2018 (reappointed for second term from 1 June 2023)

Chair, Investment committee from 28 May 2019

Chris re-joined the Board in 2018, having previously served as a Board member from 2010 to 2015. He has over 30 years' experience in investment and pensions.

He is Chair of the Border to Coast Pensions Partnership, investing money for 11 Local Government Pension Scheme (LGPS) pension funds with assets under management totalling £60 billion, and Chair of the £20 billion Nuclear Liabilities Fund, helping to protect future generations from the costs of decommissioning nuclear power stations. Chris also sits on the Board of the Scott Trust Endowment Limited, which backs the Guardian and Observer newspapers, and on the Finance and Investment Board of the Institute and Faculty of Actuaries.

For almost twenty years Chris led Railpen, the 350,000-member UK Railways pension system, first as Chief Investment Officer and then as CEO. He also chaired the Pensions and Lifetime Savings Association (PLSA) and was the inaugural Chair of the Pensions Quality Mark, raising standards in defined contribution (DC) pensions.

With a strong interest in corporate and institutional governance, Chris has served as a board member for the Toronto-based International Centre for Pensions Management and for the UK's Investor Forum, which promotes strategic dialogue between companies and investors.

Chris is an actuary and an honorary fellow of the CFA Society of the UK.

8. Sarah Laessig

Board Member from 1 September 2021

Senior Independent Director from 28 July 2022

Chair, Nominations and Remuneration committee from 28 July 2022

Sarah Laessig has 25 years experience in financial services across banking, asset management and pensions. She is a non-executive board member of Local Pensions Partnership Investments (LPPI), which manages £24.2 billion of pension fund assets, United Trust Bank, a specialist lender with a loan book of over £3 billion, and JP Morgan Global Growth and Income Investment Trust (JGGI), a FTSE250 listed investment trust. Sarah's executive banking career at Citigroup included managing businesses across developed and developing markets. She has worked around the world in Eastern Europe, Latin America, Asia and Africa. Sarah has previously been a Commonwealth Scholarship Commissioner and a Civil Service Commissioner. She is an Ambassador of Women on Boards UK.

9. Richard Lockwood

Board Member from 1 September 2018

CFO and Deputy CEO, Nest Corporation

Richard has been part of Nest Corporation's executive team since 2014. From the controls environment to the culture, he has been involved in helping us to mature from a start-up to one of the UK's biggest workplace pension providers. He initially managed the finance and procurement teams. Over time, he has added six other support teams to his broader remit, while also becoming Deputy CEO.

As executive champion for diversity, equity and inclusion, Richard has led a programme of work that is helping to increase staff awareness of, and openly discuss and tackle, biases and barriers. He is a member of the Advisory Board of the Diversity Project, a cross-company initiative working to create a more inclusive culture in the financial sector.

Richard is a chartered management accountant. His career over the last 30 years includes roles in a number of blue-chip UK retail and consumer product companies including Home Retail Group plc, BAA plc, Kingfisher plc, Whitbread plc and BP plc. He is currently a non-executive director of British Skydiving.

10. Nikki Marsh

Board Member from 1 June 2023

Focusing on driving customer-centric culture in organisations, Nikki has had a successful leadership career in financial services spanning thirteen years, including ten years in the mutual sector, interspersed with seven years as a senior civil servant in the public sector. She has covered a broad range of roles within her career including marketing, digital transformation, and communications, alongside customer centric culture change.

She also spent several years as a trustee for a not-for-profit organisation dedicated to improving the way people are cared for and supporting staff who deliver care and is currently a non-executive director at Penrith Building Society and a qualified executive coach.

11. Mutaz Qubbaj

Board Member from 1 June 2018 to 31 May 2023

Mutaz is an accomplished entrepreneur and financial expert with a passion for empowering individuals to take control of their finances and has deep understanding of both technology and finance. He is currently the UK Head of Business Development & Sales for NowCM and is committed to making financial services more accessible and transparent for all. More recently, he was the Commercial Lead at Nivaura, a primary debt issuance digitisation FinTech, and was part of the exit team in a sale to NowCM, a leading European FinTech helping the transition of debt capital markets to digital platforms.

He previously spent several years developing cutting-edge technology at the Massachusetts Institute of Technology's Media Lab and working as a trader and strategist at Morgan Stanley, Credit Suisse, and PIMCO. After which he founded Squirrel Ltd, a Barclays Techstars company, to find a solution to the problem of predatory lending practices. Squirrel has gained industry recognition for its innovative approach and has won awards at the WIRED Startup and Pitch@Palace competition, which is sponsored by the British Royal Family. He is a leading voice within the FinTech industry with features in FT, Bloomberg, CNBC, CNN, City AM, and WIRED.

12. Martin Turner

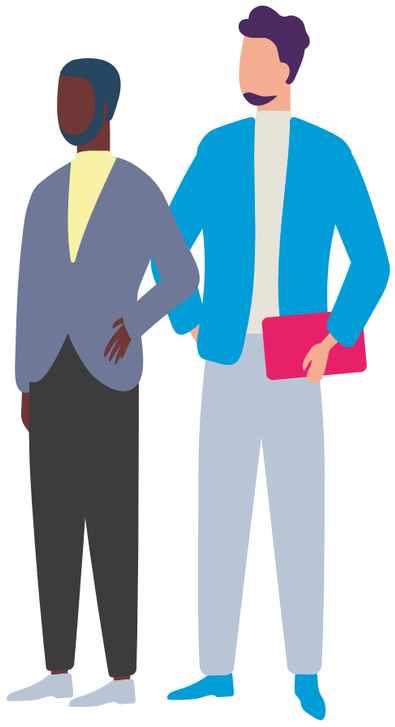
Board Member from 1 June 2018 (reappointed for second term from 1 June 2023)

Chair, Risk committee from 21 February 2019

Martin has 37 years' experience working within the financial services industry in companies such as Barclays plc and Lloyds Banking Group plc. He has had a broad range of roles, both in the UK and overseas, ranging from front-line customer service and relationship management through to strategy and transformation and IT and operational service delivery.

More recently, he has had group-level accountabilities in the second-line risk function including operational risk, regulatory compliance, internal risk reporting and external risk disclosures. This has included overseeing significant structural reform programmes driven by regulatory and legislative requirements.

Martin retired from full-time executive roles at the end of 2016. He is currently a non-executive director and trustee with AQA Education, where he chairs the audit, risk, and compliance committee.



Employers' Panel

(Chair – Ron Jarman)

The Employers' Panel was set up in accordance with the Pensions Act 2008 and Nest Order 2010. It represents participating employers by providing advice on the operation, development, and amendment of the Scheme. The panel had 12 members as at 31 March 2024.

During 2023/24 the panel met four times. Its work included:

- Preparing and presenting the Employers' Panel annual report to the Board.
- Completing a programme of work on topics relevant to employers and useful to the Trustee in developing the Scheme's services. For example, this year's programme focused on the relationship between employers and connectors, measures put to in place to combat cybercrime, investment fund choices, responsible investment, Nest's new value proposition, the redefining of Nest's purpose and the new corporate strategies of Nest.
- Providing input on proposed changes to the 'Statement of investment principles' and changes to the scheme rules.
- Attending a joint meeting with members of the Members' Panel, the Board, and the executive committee. The meeting explored Nest's current purpose and vision work aimed at making Nest a more purpose-led and customer-centric organisation.

Members' Panel

(Chair – Catherine Walker)

The Members' Panel was set up in accordance with the Pensions Act 2008 and Nest Order 2010 to represent the Scheme members and allow them to provide advice on the operation, development, and amendment of the Scheme. The panel had 9 members as at 31 March 2024.

During 2023/24 the panel met four times. Its work included:

- Fulfilling its formal governance functions through consultation on changes to the scheme rules and by submitting its annual report to the Board and the Secretary of State for Work and Pensions.
- Providing its input to the call for evidence on the Introduction of a lifetime provider model.
- Considering issues relevant to members in order to provide advice and feedback to the Board and the executive team, including on the relationship between employers and connectors, investment fund choices, Nest's new value proposition, the redefining of Nest's purpose and the new corporate strategies of Nest.
- Attending a joint meeting with members of the Employers' Panel, the Board, and the executive committee. The meeting explored Nest Corporation's current purpose and vision work aimed at making Nest Corporation a more purpose-led and customer-centric organisation.

Committee membership as at 31 March 2024

Audit committee

Myfanwy Barrett	Chair
Nina Hingorani-Crain	Member (from 1 September 2023)
Martin Turner	Member

Risk committee

Martin Turner	Chair
Myfanwy Barrett	Member
Karen Cham	Member
Helen Copinger-Symes	Member (from 1 November 2023)
Chris Hitchen	Member
Nikki Marsh	Member (from 1 September 2023)

Investment committee

Chris Hitchen	Chair
Helen Copinger-Symes	Member (from 1 September 2023)
Sarah Laessig	Member
Jennie Austin	Special committee member
Katrina Shenton	Special committee member (from 1 September 2023)
Jaap van Dam	Special committee member

Nominations and remuneration committee

Sarah Laessig	Chair
Karen Cham	Member
Nina Hingorani-Crain	Member (from 1 November 2023)
Brendan McCafferty	Member
Carol Young	Special committee member (from 1 January 2024)

Board and committee meetings

Details of meetings attended by Board and committee members

No. of meetings	The Board	Audit committee	Risk committee	Investment committee	Nominations and Remuneration committee
Brendan McCafferty	11/11	3/3	-	-	6/6
Myfanwy Barrett	11/11	7/7	4/4	-	-
Karen Cham	11/11	-	4/4 (one meeting attended in part)	-	6/6
Helen Copinger-Symes	8/8	-	2/2	6/6	-
Helen Dean	10/11	-	-	-	-
Nina Hingorani-Crain	7/8	4/4	-	-	2/3
Chris Hitchen	11/11	-	3/4	9/9	-
Sarah Laessig	11/11	-	-	6/6	6/6
Richard Lockwood	10/11	-	-	-	-
Nikki Marsh	8/8	-	2/3	-	-
Mutaz Qubbaj	2/3	-	-	-	-
Martin Turner	10/11	7/7	4/4	-	-
Jennie Austin	-	-	-	8/9	-
Jaap van Dam	-	-	-	9/9	-
Katrina Shenton	-	-	-	6/6 (one meeting attended in part)	-
Carol Young	-	-	-	-	2/2

Notes to Board and committee meetings table

The Board

Mutaz Qubbaj stepped down as a Board member at the end of his 5 year term with effect from 31 May 2023.

Helen Copinger-Symes joined the Board with effect from 1 June 2023.

Nina Hingorani-Crain joined the Board with effect from 1 June 2023.

Nikki Marsh joined the Board with effect from 1 June 2023.

Helen Dean resigned as CEO and a Board member with effect from 30 April 2024.

Audit committee

Brendan McCafferty stepped down from the committee on 1 September 2023.

Nina Hingorani-Crain joined the committee with effect from I September 2023.

Risk committee

Mutaz Qubbaj stepped down from the committee at the end of his 5 year term with effect from 31 May 2023.

Nikki Marsh joined the committee with effect 1 September 2023.

Helen Copinger-Symes joined the committee with effect from 1 November 2023.

Investment committee

Jennie Austin, Jaap van Dam and Katrina Shenton are members of the investment committee but are not Board members.

Helen Copinger-Symes joined the committee with effect from 1 September 2023.

Katrina Shenton joined the committee with effect from 1 September 2023 but is not a Board Member.

Nominations and remuneration committee

Carol Young is a member of the nominations and remuneration committee but is not a Board member.

Nina Hingorani-Crain joined the committee with effect from 1 November 2023.

Carol Young joined the committee with effect from 1 January 2024.

Risk management

The Trustee must consider risks and uncertainties to ensure continuous delivery of high-quality services to customers. It has established robust processes to understand, mitigate and manage risks and, while considering economic and other uncertainties, it plans for a range of scenarios.

On an annual basis, the Trustee reviews the risk management framework to ensure this framework remains fit for purpose, taking developments in practices across the industry into account. In addition, every three years the risk review takes the form of a comprehensive zero-based review. This zero-based review was last completed and approved by the Board in May 2022.

The risk committee is responsible for oversight and challenge of the approach to risk management. Collectively, the members make recommendations to the Board on the risk management framework, risk appetite and principal risks for the Scheme and Nest Corporation. The Trustee engages key stakeholders, such as the DWP, TPR, the Scheme's administrator and investment managers, in understanding, mitigating and managing risks.

The Trustee also has detailed business continuity and disaster recovery (BCDR) plans in place.

Principal risks

The Trustee takes a holistic approach to risk. It defines a principal risk as a risk that is considered material to the development, performance, position or future prospects of Nest Corporation or the Scheme. For a full review of these principal risks, key controls and mitigating actions, please see the 'Corporation annual report and accounts 2023/24'.[15]

Some of the principal risks specifically involve delivery of the Scheme's services to members, for example:

- **Service delivery risk**: Particularly as a digital-first pension provider, the Trustee is mindful of the risk that a major service failure, or persistent low-level service failures, could prevent it from delivering services to customers in time or at a quality standard to meet their needs. It has multiple controls in place to monitor and manage this risk.
- **Cybercrime and information security risk**: Cyber criminals and fraudsters are developing ever more advanced means to commit crimes. The Trustee must protect against and try to anticipate these developments to prevent customers from suffering a significant loss of data or assets. Ensuring Scheme members' data security is key to keeping them safe in retirement.
- **Investment performance risk**: Market volatility is to be expected in investing. What the Trustee does to reduce the impact of volatility on Scheme members' pots and how it communicates this strategy to members plays a significant role in customers' confidence in the Scheme. The Trustee is required to publish a SIP, which outlines its approach to investment.

The investment committee specifically has oversight of investment risks. See 'Investment developments' on **page 47** for a summary of its consideration of risks and opportunities during the financial year.

15 **nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html**

Processing the Scheme's core financial transactions

The Trustee has a specific responsibility to ensure that core Scheme financial transactions are processed promptly and accurately. Core Scheme financial transactions include:

- Collection and investment of contributions.
- Transfers between different investments within the Scheme.
- Payments to and in respect of members.
- Transfers of member assets in and out of the Scheme.

As Trustee of the Scheme, Nest Corporation operates a primarily outsourced business model. The processing of core transactions is undertaken on behalf of the Trustee by the Scheme administrator, Tata Consultancy Services (TCS), the investment funds administrator, State Street Bank and Trust Company (STT), and investment managers as detailed on **page 16**. The Board has reviewed the process for monitoring the services provided by these key outsourced service providers including consideration of:

- Ongoing assurance from the Scheme operations and investment teams that the relationships continue to work effectively.
- Assurance that the outsourced service providers operate to agreed service levels and report their performance against those service levels. To achieve this, the Trustee receives, and reviews reports on a monthly basis.

– Assurance from the outsourced internal audit function which assists the Trustee in assessing whether the controls are operating effectively.

The Trustee also commissions a full range of assurance activities. This includes obtaining assurance over the operation of processes that are built to enable compliance with pension legislation and TPR's Codes of Practice.

In addition, the Trustee commissions an independent assurance report, prepared in accordance with the ICAEW Audit and Assurance Faculty's 'TECH 05/20 AAF: Assurance reporting on master trusts', which provides assurance of the Scheme's overall controls framework, including the Trustee's governance and administration. TCS provides the Trustee with an independently audited annual AAF 01/20 report which tests the operational effectiveness of its administration controls framework. STT provides the Trustee with an independently audited International Standard on Assurance Engagements (ISAE) 3402 report which is designed to give assurance that STT has adequate internal controls.

Automated reconciliation of core transactions is carried out by TCS as Scheme administrator and STT as investment funds administrator. Reconciliations are performed for all member records on daily, weekly, and monthly cycles and reported to the Trustee accordingly.

The Trustee has in place contractual requirements and service levels which cover the accuracy and timeliness of the processing of core transactions including those relating to investments and payments out to members. The Scheme's service was generally robust, with more than 98% of service levels met during 2023/24.

Scheme governance, including detailed information on the key administration of the Scheme, is evaluated on a monthly basis. The Trustee considers service level reports, the sustainability of key elements of the service, compliance reporting, risks and activities undertaken by TCS to mitigate these risks.

Each quarter the Trustee receives and considers a dashboard summary of administration activity. This includes reporting on key metrics such as service level performance and commentary on key aspects of operational performance. Material operational issues are escalated according to an incident management process. For high priority cases, this includes immediate notification to Nest Corporation and escalation to senior management including the CEO, who is also on the Board.

These monitoring and reporting activities, together with the multiple sources of assurance put in place, enable the Trustee to be confident that core Scheme financial transactions were processed promptly and accurately during 2023/24. They also provide confidence that the requirements for processing these core transactions specified in the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (regulation 24) have been met.

Charge levels

The Scheme has the same fee structure for all members, no matter who their employer is, their level of contributions or which fund they invest in.

The Scheme's charge is made up of two parts:

– A contribution charge of 1.8% on the value of each new contribution into a member's pension pot.

– An annual management charge of 0.3% on the total value of a member's pension pot each year. This is calculated on a daily basis and reflected in the unit price.

This charge structure applies to all member funds offered by the Scheme, including both the default funds and other fund choices.

The Scheme's investment return figures are net of costs and charges including the annual management charge and transaction costs but not the contribution charge, as where applicable this is deducted prior to the contributions being sent to STT for investment. The net investment returns, which have been prepared in line with statutory guidance issued by the DWP in 'Completing the annual Value for Members assessment and Reporting of Net Investment Returns' (June 2021), are shown in Appendix 2 on **page 86** for the default funds, and the Fund performance table on **page 50** for the non-default funds.

The phrase 'after charges' has been used throughout this report when referring to investment returns net of costs and charges as outlined here.

See Appendix 5 on **page 92** for illustrations of the cumulative effect of the Scheme's costs and charges, including the contribution charge, on members' pots over time using three different age profiles. These figures are based on qualifying earnings figures for 2023/24.

The costs and charges, and illustrations were prepared in line with guidance issued by the DWP in 'Reporting costs, charges, and other information: guidance for trustees and managers of relevant occupational schemes' (October 2022).

The Scheme does not pay any costs or charges other than those allowed for in the Nest Order and Rules, which means that the Trustee is responsible for paying any other costs or charges out of the contribution charge and annual management charge it receives from the Scheme. It should also be noted that the Trustee has not paid any performance based fees during the year under review.

Transaction costs

The transaction costs for the Scheme's default fund for members, the Nest Retirement Date Fund series, are detailed in Appendix 3 on **page 88**. The Scheme does not charge these costs separately but accounts for them within the overall investment returns.

Transaction costs for the Scheme's default funds, the Nest Retirement Date Fund series, are between 0.004% and 0.084%. Transaction costs for the Scheme's other fund choices are between 0.002% and 0.069%.

Default arrangements

The Scheme's default strategy is made up of a series of yearly target-date funds known as the Nest Retirement Date Funds, which are invested based on how far away members in each fund are from their expected retirement date. For information about the Scheme's default arrangement see **page 39**.

For the asset allocation of each fund as at 31 March 2024 see Appendix 4 on **page 90**.

Details of the objectives and policies regarding the default arrangement can be found in the SIP. The latest available SIP, which forms part of this report, is included in Appendix 6 on **page 98** and the latest SIP is available online at **nestpensions.org.uk/schemeweb/nest/nestcorporation/investment-approach/investment-principles.html** and by request using the contact information on **page 80**.

Members can change their Nest Retirement Date Fund without charge to select a different expected retirement year. They can also change to one of the Scheme's other fund choices without charge if they wish. For information about the Scheme's non-default arrangements see **page 41**.

Objectives for default funds

The Trustee's overarching investment objective for the default strategy is: Delivering the best retirement income for as many as possible.

The Trustee has selected different types of investments and adjusts the balance between these investments to meet this overarching objective.

To support this overarching objective the Trustee has also agreed the following supporting sub-objectives which aim to:

– 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.

The Trustee recognises that there will at times be tensions between these supporting objectives and will seek to find an appropriate balance between them.

As at 31 March 2024, nearly 99% of Scheme members were invested in the Nest Retirement Date Fund series.

The default funds' member journey

The Nest Scheme and its default investment approach have been designed to ensure that Scheme members who do not wish to take an active role in how their contributions are invested can do so in confidence. The availability of a well-constructed default strategy is an essential part of automatic enrolment and is central to Nest's investment approach.

Investment risk should be taken in varying amounts throughout a member's time saving with Nest. The Trustee has therefore adopted a series of target date funds called the Nest Retirement Date Funds to deliver the default investment strategy. Each Nest Retirement Date Fund has an asset allocation that aims to be consistent with the expected amount of investment risk and return that is appropriate for the age of a member in order to meet the investment objectives of the Nest Retirement Date Funds throughout a members' savings journey.

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

- Growth
- Illiquid capital preservation
- Income
- Liquid capital preservation
- Longevity risk management.

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, the Trustee aims to best meet members' different needs throughout their savings journey. These building blocks allow for the construction of four broad phases in a member journey depending on their age:

- the foundation phase
- the growth phase
- the consolidation phase
- the retirement income phase.

For information on the design and objectives for each phase in the member journey, see 'Nest Retirement Date Funds' on **page 39** and the SIP. The latest available SIP, which forms part of this report, is included in Appendix 6 on **page 98**.

Review of the default fund

A review of the Scheme's default funds and the 'SIP (see **page 38**) must take place at least every three years. It must also take place without delay after any significant change in the Trustee's investment approach. The three-year review of the SIP took place in March/April 2023, was approved in July and then published in August 2023. The latest available SIP is included in Appendix 6 on **page 98**.

On a quarterly basis, the investment committee meets to review the investment approach and the performance of the Scheme's default strategy, the Nest Retirement Date Funds, and other fund choices for members. On an annual basis, the Board reviews whether the Trustee's investment approach is in line with the SIP. As part of these reviews, the CEO of Nest Invest provides written advice to the investment committee and the Board.

The Board has confidence that the CEO and the CIO of Nest Invest have the appropriate knowledge and experience of managing investments for a trust-based scheme. The CIO is qualified to provide advice to the Board by their ability and practical experience of investment matters.

They are approved by the FCA under the Senior Managers and Certification Regime. For more information on Nest Invest see 'Resources available to the Board' on **page 21**.

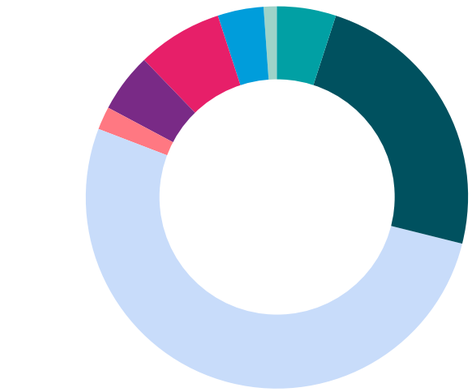
Based on the advice of Nest Invest and a range of other management information, the investment committee agreed during its meetings in 2023/24 that the investment approach continued to be in line with the SIP.

The Trustee assesses the historic performance of the Nest Retirement Date Funds against investment objectives which are aligned with an understanding of the needs and priorities of Scheme members. The Trustee also reviews the factors underlying investment performance, including asset allocation, transaction costs and the performance of the investment managers that invest in the individual asset-class building blocks from which the member funds are constructed. The Trustee also considers volatility and other risks being taken by investment managers, and this feeds into the overall risk management of the Nest Retirement Date Funds.

Based on these reviews and the advice of Nest Invest, the Board was satisfied that the strategy and returns remain consistent with the aims and objectives of the Scheme's default arrangements and the Nest Retirement Date Funds are fit for purpose.

As already stated, each Nest Retirement Date Fund has an asset allocation that aims to be consistent with the expected amount of investment risk and return that is appropriate for the age of a member in order to meet the investment objectives throughout a members' savings journey. Below is the asset allocation for our flagship 2040 Nest Retirement Date Fund. The asset allocation for all other Retirement Date Funds can be found in Appendix 4 on **page 90**.

Nest 2040 Retirement Date Fund Asset Allocation



Review of the non-default funds

The Trustee also provides Scheme members with a select range of other funds that they may choose from (see 'Other fund choices' on **page 41**). These were reviewed alongside the default fund. Based on these reviews and the advice of Nest Invest, the Board was satisfied that the Scheme's strategy and returns also remain consistent with the aims and objectives of these other fund choices and therefore all funds are fit for purpose.

Value for members

The Board is required to carry out an annual assessment as to whether the Scheme provides value for members.

The Board carried out this assessment based on a review year ending 30 September 2023 using the guidance set out in TPR's 'Code of practice 13'. This process included defining the criteria for the assessment, agreeing the evidence framework, and collecting evidence for review. The completed assessment was approved by the Board on 21 March 2024.

The Trustee has conducted, and continues to carry out, in-depth research into Scheme members' needs. Based on this, it has defined 'value for members' criteria. These include the suitability of the default investments and non-default fund choices, clear and accessible information, high standards of administration and low and transparent charges.

The assessment of whether the Scheme provides value for members considered the following:

The benefits of Scheme membership

- Scheme management and governance
- Scheme investment and governance
- Communications
- Administration

The costs of Scheme membership

The charges and transaction costs that a member pays.

Comparison with other schemes

The assessment of whether the Scheme provides value for members considered the following:

- The Scheme is delivering against members' needs. The Scheme continues to provide high standards of governance and administration. This offering is provided to all members regardless of the level of contribution or size of employer.
- The Scheme members benefit from good-quality investment strategies and governance. Other fund options have been made available to members should they choose not to stay in the default Nest Retirement Date Funds.
- Communications to members are clear, easy to understand and provide the information, help, and support members might need across their pension savings journey.
- The Scheme's price structure is comparable to similar market equivalents, given the characteristics of the membership as a whole. Nest undertakes to ensure that charges, as well as the cap on member charges, are transparent and that the effects on members' pots are made clear. Charge levels (see **page 30**) and transaction costs (see **page 31**) are described in the relevant sections above. A charges comparison exercise was carried out in September 2023 and the Scheme's price is comparable with the costs, charges and benefits members might experience with other similar schemes.

The Trustee has therefore concluded that the Scheme's charges and benefits reflect value for members.

Brendan McCafferty
Chair, Nest Corporation

27 June 2024

Statement of Trustee's responsibilities for the financial statements

The audited financial statements, which are required to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

(i) show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and

(ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice Financial Reports of Pension Schemes.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which it should ensure is fair and impartial.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the Scheme and financial information included on the Scheme's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Brendan McCafferty
Chair, Nest Corporation

27 June 2024



Chapter 2

Investment report



Statement of investment principles

The investment objectives for the Nest Scheme are set out in the 'Statement of investment principles' (SIP), which the Trustee is required to prepare under section 35 of the Pensions Act 1995.

Following the conclusion of the triennial review, the Scheme's latest SIP was approved in July 2023. The next review is due in 2026.

The latest available SIP, which forms part of this report, is included in Appendix 6 on **page 98** and is available online at **nestpensions.org.uk/schemeweb/nest/aboutnest/investment-approach/statement-of-investment-principles.html** or by request using the contact information on **page 80**.

Under the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, a 'SIP implementation statement' must be published alongside the 'Scheme's annual report and accounts'. The Trustee's latest available 'SIP implementation statement', which forms part of this report, is available at **nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html**, and the 2023/24 'SIP implementation statement' will be published in August 2024.

The Trustee is satisfied that all investments during the year were made in accordance with the SIP.

Scheme funds

Based on an understanding of the diverse needs of the Scheme's membership, the Trustee has developed an approach to investment that offers:

- A well-constructed default strategy that has clear return objectives and a carefully managed risk profile.
- A selection of alternative clearly differentiated fund choices for those who have different risk appetites or investment objectives, or who want an approach that matches their beliefs or faith.



Nest Retirement Date Funds

When members join the Nest Scheme, their contributions are invested into a Nest Retirement Date Fund unless they actively choose a different fund (see 'Other fund choices' on **page 41**).

A member's default Nest Retirement Date Fund will match their State Pension age. If they change their Scheme retirement age, which they can do at any time, their pension pot is automatically switched into the corresponding Nest Retirement Date Fund.

Each fund aims to have members' money ready to convert into retirement benefits in the year they want to take their money out.

The overarching investment objective for the Nest Retirement Date Funds is delivering the best retirement income for as many as possible.

There are 47 separate Nest Retirement Date Funds. These, plus the post-retirement fund paths – the Nest Guided Retirement Fund and the Nest Post Retirement Funds – make up the Scheme's default strategy.

The asset allocation for each fund as at 31 March 2024 is included in Appendix 4 on **page 90**.

Default investment strategy and phased risk management

The Scheme has a large and diverse membership. The Trustee seeks to manage members' investment risks in a holistic way throughout their time saving in the Scheme.

The Trustee has adopted a four-phase approach for the Nest Retirement Date Funds. This means it changes the objectives for risk and return of the Nest Retirement Date Funds based on how far away members are from their expected retirement date. The member journey for the Nest Retirement Date Funds goes through four sequential phases: foundation, growth, consolidation, and post retirement.

Foundation phase objectives

The foundation phase refers to the early years of younger Scheme members' working lives as they develop the savings habit. This phase typically lasts two to five years. The objective for the foundation phase is to give younger members confidence in saving for the long term by aiming to grow their pots by more than inflation (CPI), whilst reducing the impact of short-term volatility. This phase allows for investment in a relatively high proportion of illiquid assets, reflecting younger members' longer investment horizon.

Growth phase objectives

The growth phase is where the maximum growth in assets is being targeted through investing in asset classes that are expected to grow in value, relative to inflation, more than other investments. In addition, this phase has a proportion of illiquid capital preservation assets that gradually decrease as a member gets closer to needing a retirement income. The objective for this phase is to outperform inflation by 3 per cent a year after all charges over the long term.

Consolidation phase objectives

The consolidation phase prepares a Scheme member's assets for taking an income in retirement and typically begins ten years before their Nest Retirement Date Fund matures. Investments in this phase are progressively switched out of growth and illiquid capital preservation portfolios, into a mixture of liquid capital preservation, income, and longevity risk management building blocks. The objective of the consolidation phase is to provide a smooth transition from the growth phase into assets that better meet members' needs of an income in retirement. The retirement income phase is for those members who have not chosen to withdraw all their savings when their Nest Retirement Date Fund matures and closes.

Post retirement phase objectives

For members who have not chosen to withdraw all their savings when their Nest Retirement Date Fund matures. Those members whose pot size is below £10,000 are automatically moved to the Nest Post Retirement Fund. This fund will invest in asset classes with low volatility as these members are expected to take one, or a series of, uncrystallised funds pension lump sums (UFPLS) relatively soon. The Nest Guided Retirement Fund (NGRF) is available for members to join (or be automatically moved into when their Nest Retirement Date Fund matures) between age 60 and 70 if they have £10,000 or more in their pot. This fund is a key part of the post retirement phase and aims to invest members' money suitably for their needs throughout retirement. The investment committee annually reviews the fund to ensure the rate of money distributed is sustainable for members. For more details on how each part of the fund works, download the NGRF factsheet from **nestpensions.org.uk/schemeweb/dam/nestlibrary/nest-guided-retirement-fund-factsheet.pdf**

Details of the Trustee's approach to lifestyling and return objectives can be found in the SIP. The latest available SIP is included in Appendix 6 on **page 98**.

Other fund choices

For members who wish to make active investment choices, the Scheme provides a range of clearly labelled alternative funds.

Nest Ethical Fund

This fund is designed for members who are particularly concerned about the impact that their investments can have on areas such as human rights, fair labour practices and the environment. Unlike many other ethical funds, the Nest Ethical Fund consists of multiple asset classes and uses a three-phase glide path investment approach.

Nest Sharia Fund

This fund is designed for members who want an investment approach based on Islamic law. It invests entirely in global equities judged to meet Sharia financial principles.

Nest Higher Risk Fund

This fund is for members who want to take more investment risk to try to make their pension pot grow more quickly than it might in a Nest Retirement Date Fund. Members have the option to be in a lifestyled or non-lifestyled version of the fund.

Nest Lower Growth Fund

This fund is designed for members who are very cautious about investing. Their retirement pot will be exposed to far less investment risk than a Nest Retirement Date Fund. This means that in the long term it will probably grow less than other fund choices and may not keep pace with inflation.

Nest Guided Retirement Fund

This fund is an option for members who want to start taking money from their pension pot with the Scheme once they have retired. Initial entry into this fund is only available for members aged at least 60 and no more than 70 who have at least £10,000 in their pot.

Investment managers

All Scheme funds are built from a range of pooled and segregated funds supplied by external investment managers.

Each of these investment managers is authorised and regulated by the regulatory body in the country where the investment fund is domiciled. The managers are selected through a competitive tender process.

The Scheme's default arrangement, the Nest Retirement Date Funds, and the majority of the Scheme's other fund choices are invested in a diversified range of asset classes. The majority of the Scheme's assets are invested in public markets with good liquidity and are valued daily.

A proportion of the assets – about 15% – are invested in illiquid assets (indicated with * in the below table).

Policy group	Asset class	Investment manager
Alternatives	Commodities	CoreCommodity Management
	Derivatives	Amundi
Cash	Money market funds	BlackRock Legal & General Investment Management State Street Global Advisors
Equities	Developed markets equities	Columbia Threadneedle HSBC Global Asset Management UBS Asset Management
	Emerging markets equities	Northern Trust Asset Management
	Listed property	Legal & General Investment Management
	Private equity*	HarbourVest Partners LLC Schroders Investment Management Limited
	Thematic equities	Lombard Odier Investment Managers
Growth credit	Emerging market debt	Amundi
	Global high-yield bonds	J.P. Morgan Asset Management
	Private credit*	Amundi BlackRock BNP Paribas Asset Management
Investment-grade bonds	Investment-grade corporate bonds	Allspring BlackRock Columbia Threadneedle Royal London Asset Management
	UK government bonds	BlackRock Royal London Asset Management
Real assets	Direct property*	Legal & General Asset Management
	Infrastructure equities*	CBRE Investment Management GLIL Infrastructure LLP Octopus Investments

The Trustee's arrangements with existing investment managers

The Trustee's approach to constructing the Nest Scheme's investment strategy is to use a 'fund of-funds' model. The Trustee works with multiple external investment managers with distinct mandates for different asset classes.

Each investment manager is procured through an open competition to find the most suitable manager for each asset class. A thorough procurement process and regular ongoing monitoring ensures that each investment manager is fully aware of the Trustee's approach and the objectives for the relevant asset classes.

The Scheme's new managers receive Nest's policies such as the climate change, responsible investment, engagement and voting, and stock lending policy. The Trustee provides updates on these policies when relevant to managers who have a current mandate to invest in assets for Scheme members.

As part of the external investment manager procurement process, the Trustee sets out in detail its responsible investment expectations. Prospective managers are evaluated where relevant on their approach to being long-term and responsible stewards of the assets they would manage on behalf of Scheme members. Those that cannot demonstrate alignment with the Scheme's approach do not progress to the final shortlist. These managers also receive the SIP, which sets out the Trustee's investment beliefs about the importance of making decisions with a long-term mindset.

Nest Invest conducts regular investment manager monitoring and meets formally in person with each of the managers at least once a year. Manager performance is reported to the investment committee on a quarterly basis. As part of its regular evaluation of investment managers to ensure they are delivering in line with the objectives for which they were appointed, Nest Corporation monitors fees and charges in the context of its ongoing market evaluation of the price of investment management services.

Nest Corporation's contractual relations with investment managers are open-ended (subject to termination provisions which are negotiated as part of the appointment terms) as the Trustee believes in building long-term partnerships. Where managers are no longer delivering on the objectives for which they were appointed, Nest Corporation will move assets to an alternative manager, or re-procure for that particular asset class.

Nest Invest monitors the costs of portfolio turnover as part of its regular investment manager monitoring. When selecting a new investment manager or new asset class, Nest Invest makes an assessment as to its expectations of turnover range for any given asset class or manager style. Where relevant for a particular asset class or manager style, Nest Invest monitors levels of turnover as part of its regular manager reviews, to ensure these levels remain in line with the expectations for that particular mandate.

Custodial arrangements

The Scheme invests in pooled funds and segregated accounts.

When the assets are invested in pooled funds, the assets are held by the custodians appointed by the respective investment manager.

For segregated accounts, the assets are held by STT on behalf of the Scheme. STT also provides fund administration services.

The current contract with STT (which was extended after the initial 10-year term) is due to expire in October 2025. The Trustee has conducted a procurement exercise for the next contract for custody and fund administration. In May 2024 the Trustee announced Northern Trust was the successful bidder.

Investing responsibly

The Trustee believes that, as long-term investors, integrating environmental, social and governance (ESG) considerations into the investment management process improves risk-adjusted returns.

SIP implementation statement

It's a regulatory requirement that the Trustee discloses information on how stewardship is undertaken, including how voting rights are exercised and wider engagement with companies the Scheme is invested in.

Each year, the Trustee reports on how the Scheme has adhered to the Trustee's investment principles, how the stewardship activities outlined in the SIP have been followed, and voting behaviour, including any services of a proxy voter, as well as demonstrating how its policies for managing ESG risks and opportunities have been executed. This report provides evidence of a robust investment governance framework.

More details can be found in the latest available SIP implementation statement, which is available at **nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html**.

Financially material considerations

The Trustee has identified a range of material issues which it believes will likely have a material impact on performance of the Scheme. These include, but are not limited to, ESG considerations such as climate change, labour force management and biodiversity. Managing these risks and seeking opportunities in the portfolio are particularly important given the long periods many Scheme members will be saving with Nest for.

One of the Trustee's investment beliefs is that: incorporating and acting upon climate risk and other environmental, social and governance (ESG) factors is a significant driver of investment outcomes. The sub-beliefs include:

- Integrating sustainability factors into the 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.

The Trustee requires that external investment managers integrate ESG factors into their investment analysis and decision-making process. Nest Corporation's investment team regularly monitors investment managers in this regard.

The Trustee expects external investment managers to have integrated climate risk into their risk analysis and investment process. The Trustee takes investment managers' approach to climate risk analysis into account in the selection of new external managers.

When monitoring the performance of external managers, the Trustee also regularly considers how investment managers are performing with respect to climate-risk issues.

For further information on the external investment managers, see **page 42**.

More details about the Trustee's approach to ESG considerations are set out in the SIP and the 'SIP implementation statement'.

A full list of the identified ESG risks can be found in the latest Responsible Investment report: **nestpensions.org.uk/schemeweb/nest/nestcorporation/investment-approach/responsible-investment/ri-reports.html**

Non-financial matters and investing

The Trustee has an active policy of soliciting members' views on non-financial matters in its investment decision making for one of the non-default investment funds – the Nest Ethical Fund choice strategy. These views are taken into account in the selection, retention and realisation of investments in the Nest Ethical Fund. The Trustee does not currently take into account members' views on non-financial matters in the selection, retention and realisation of investments for the other additional investment fund choices.

The Trustee does not currently take into account members' views on non-financial matters in the selection, retention and realisation of investments for the default investment strategy (the Nest Retirement Date Funds), as it has provided additional investment fund choices where members' views on non-financial matters can be sought and expressed.

The Trustee believes that non-financial matters are not suitable for consideration in the default investment strategy. With a membership of over 13 million people, it is unlikely there will be values-based issues that all members align with and be comfortable being a factor in decision making when constructing their portfolios. This is especially the case where consideration of non-financial matters has the potential for detriment to investment performance. Instead, within the default strategy there is considerable focus on material ESG issues which have a clear financial impact on investment risk and return. Some of these material ESG factors may well have an alignment with issues that elements of Scheme membership may also deem values-based – such as protection of the environment and human rights – but the Trustee is clear that it is financial matters alone which are driving decision making for the default strategy and the other fund choices (with the exceptions of the Ethical and Sharia fund choices). More details of how the Trustee incorporates these financially material ESG issues within the default strategy can be found in the SIP implementation statement[16] and annual 'Responsible investment report'.[17]

16 **nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html**
17 **nestpensions.org.uk/schemeweb/nest/aboutnest/investment-approach/responsible-investment.html**

Stewardship policy

The Trustee has a duty to act responsibly with regards to the assets managed on behalf of Scheme members. To fulfil this duty and to protect and enhance the value of the Scheme's investments, the Trustee must act as a responsible and vigilant asset owner and market participant.

The Trustee takes these responsibilities as an asset owner seriously and works closely with the Scheme's external investment managers to support good corporate behaviour. Part of the procurement process for choosing external managers involves ensuring their voting policies, where relevant, are well thought-out and documented.

The Trustee or agents representing the Trustee exercise the ownership rights in assets managed on behalf of Scheme members. These include voting and engagement with companies in which the Scheme invests on matters including performance, strategy, risks, social and environmental impact, and corporate governance. The Trustee does this with the aim of safeguarding sustainable returns for Scheme members.

The Scheme-specific 'Nest's Voting and Engagement policy– UK' (2024) and 'Nest's Global Voting and Engagement Policy' (2024)[18] sets out how the Trustee expects voting and engagement rights to be exercised. These policies document the Trustee's position and expectations to external investment managers on good corporate behaviour. It is used to monitor and hold these managers to account on the decisions they make, as well as enabling the Trustee to have healthy discussion and debate with them.

Each year the Trustee publishes a voting summary report[19] setting out how all external investment managers have voted and how this compares to the voting policy. The votes that the Scheme's investment managers make are published on the website every quarter.

The Trustee also undertakes joint engagements with the Scheme's investment managers, representative bodies, and other pension schemes, to engage directly with investee companies. It works to engage with public, industry and regulatory bodies in the various markets in which the Scheme invests, to promote better practices.

18 **nestpensions.org.uk/schemeweb/nest/nestcorporation/investment-approach/investment-principles.html**
19 **nestpensions.org.uk/schemeweb/nest/nestcorporation/investment-approach/responsible-investment/how-we-voted.html**

The Trustee's stewardship policy is detailed in its annual 'Responsible investment report'.[20] Further information on how the Trustee has been building responsible investment and stewardship into the investment strategy can be found in the 'SIP implementation statement'.[21]

The Trustee is delighted to have maintained its signatory status to the new Stewardship Code by the Financial Reporting Council. The new Stewardship Code continues to set a high bar for stewardship, and by remaining a signatory the Trustee can reassure Scheme members that Nest is fulfilling a key part of its stewardship responsibilities.

Climate-related financial disclosures

Climate change is one of the biggest risks facing society. Both the physical impacts of a sustained rise in global temperatures such as more frequent extreme weather events, and the economic impacts of transitioning to a low-carbon economy will impact investment performance. Over the next few decades, the Trustee believes climate change risks could impact Scheme members through lower returns on their retirement savings and a lower quality of life in retirement.

In 2020 the Trustee published its first Scheme-wide 'Climate change policy' (2022).[22] The policy sets out the Trustee's ambition to align the Scheme's entire investment portfolio with the goal of limiting global warming to 1.5C above the average level recorded between 1850 and 1900, by reaching net-zero carbon emissions across the Scheme's investment portfolios by 2050 or earlier. In January 2022 the Trustee published a climate change roadmap which sets out near-term commitments to cut scope 1 and scope 2 emissions[23] by 30% from listed equity and fixed-income asset class portfolios by 2025, and to halve the portfolio's carbon footprint by 2030.

As part of the 'Climate change policy', the Trustee has committed to reporting progress annually through a report in line with the 'Task Force on Climate-related Financial Disclosures' (TCFD).

The most recent TCFD report is made available to Scheme members and other stakeholders on the website at **nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html**

This report provides transparency around how the Trustee considers climate-related risks and opportunities within the investments made on behalf of members and details how it is implementing the climate change policy.

20 **nestpensions.org.uk/schemeweb/nest/nestcorporation/investment-approach/responsible-investment/ri-reports.html**
21 **nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html**
22 **nestpensions.org.uk/schemeweb/nest/aboutnest/investment-approach/How-climate-change-could-impact-your-pension.html**
23 The Greenhouse Gas Protocol, an international accounting tool, categorises emissions into three 'scopes'. Scope 1 covers direct emissions from the reporting company's owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating, and cooling that has been consumed by the reporting company.

Investment developments

Financial markets during 2023/24 had a very positive 12 months, despite the fear of higher interest rates triggering a recession in 2023. 2024 had a more positive start although volatility has persisted due to the continued uncertainty about the trajectory of inflation and interest rates.

The long-term performance of the Scheme's funds has remained positive.

For the five years ending 31 March 2024, the 2040 Nest Retirement Date Fund, which currently represents the growth phase of the default strategy (see **page 39**), had annualised returns, net of members' annual management charge and transaction charges, of 7.3%. CPI plus 3.0% for the same five-year period was 7.6%. The 2040 Nest Retirement Date Fund's 10-year annualised return to 31 March 2024 was 8.3%, compared with CPI plus 3% of 6.0% over the same period.

As at March 2024, the CPI plus 3% benchmark was 6.3% over one year, which was lower than the 2040 Nest Retirement Date Fund annualised one year returns of 14.3%.

The global investment landscape

2023 was a strong year for stock markets, particularly in developed countries with returns exceeding 20% and growth beating economists' expectations.

There were challenges which needed to be managed. Mid way through the year, financial conditions in the US were becoming more difficult and growth in the UK and Europe turned negative. Equity markets had started cooling off after a robust start to the year.

However, as the end of 2023 approached, investors grew more confident that economies would be more resilient and that interest rates could be cut, driving sentiment higher. Optimism was partly driven by inflation rates falling quicker than expected – the US and Europe ended the year around the 2-4% mark, a substantial fall from their double-digit peak.

Most economists assumed that inflation would not fall that fast unless there was accompanying economic weakness, however headline inflation was pulled lower by falling energy prices and the easing of supply chain pressures, and overall growth has been resilient.

Much of the positive investment recovery came from the 'Magnificent Seven' US technology companies: Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. These companies performed exceptionally well throughout the year and helped the S&P 500 grow more than 25%. Hopes for these companies to keep delivering has supported market sentiment through the year.

In contrast, the Chinese stock market posted underwhelming results. Expectations were high entering 2023, as the economy exited Covid-19 restrictions. However, with a property sector that faltered and the economy battling with deflation and a crisis in consumer confidence, Chinese stocks ended the year down almost 20% for the year.

2024 has so far continued to deliver resilient public markets with global stock markets recording their best first-quarter returns in five years. The prevailing belief is that the US economy will avoid a recession whilst falling inflation will allow the central bank to cut interest rates. However, inflation remains stickier than many expected, which is causing people to expect fewer interest rate cuts for the year.

Stock Lending

In April 2023, the Trustee undertook a review of the stock lending policy in line with its triennial review schedule. As part of this review the Trustee approved a recommendation from Nest Invest to start a stock lending programme for publicly traded assets which are held in segregated funds. The previous policy gave discretion to the managers of pooled funds as to whether they undertook stock lending or not but did not permit stock lending in the segregated portfolios. In reaching its decision the Trustee considered changes in the stock lending market which have increased the regulation and transparency of the market, the mitigations in place to protect members if a counterparty defaulted, the mitigations the Trustee has put in place to ensure that it is able to continue its active stewardship approach including recalling stock from loan ahead of key votes, and the potential revenue (net of monitoring costs) that a lending programme could generate for members (refer note 2.6 on **page 61** and note 7 on **page 65**).

The programme is being managed by the Scheme's custodian, STT and the Trustee monitors its implementation, including the successful recall of stock for voting, as part of its oversight activities. In addition, credit risk arising from stock lending activities is mitigated by only lending to approved borrowers who are rated investment grade. Loans are fully collateralised, with daily mark to market of all loaned securities by STT, to ensure collateral is received or returned to maintain full collateralisation, with minimum required levels of 105% collateralisation on equities and 102% on bonds. In addition, STT provides indemnity against losses arising from stock lending exposure to counterparties. Further details regarding stock lending are provided in note 2.7 on **page 62** and note 11 on **page 77**.

Asset allocation

The Trustee's investment approach seeks to achieve sustainable growth and manage volatility over the long term because most Scheme members will be saving with Nest for many years. For this reason, the Trustee maintains a diversified portfolio, spread across a range of asset classes and territories, which has performed well in the context of increased volatility and fewer opportunities in traditional return-seeking assets.

Throughout the year, the Trustee made a series of changes to the strategic asset allocation to help maximise the risk adjusted returns for members.

- The target allocation of developing market equities was moved up (towards reference weights) in the ethical foundation portfolio by reallocating away from Sterling Investment Grade (IG) bonds.
- Nest believes the gilt market now offers more attractive investment returns for its members than it has for a long time, particularly those wanting certainty of income around retirement. The Trustee met with existing Nest fund managers already helping to invest in developed market fixed income about accessing UK gilt strategies. Subsequently BlackRock and Royal London Asset Management were instructed in July 2023 to manage three gilt funds of varying maturity.
- The Trustee worked on gradually increasing the allocation to long gilts in both the Longevity and the Nest Guided Retirement Fund (NGRF) Later Life portfolios, which was financed by reducing the Scheme's exposure to cash.
- Nest continues to increase investment into private market assets, particularly through the unlisted infrastructure equity and private equity mandates. It's expected that the Scheme's allocation to private markets will rise towards 30% over the coming years.

2023 also brought with it a new set of investment objectives, implemented in the third quarter.

The new overarching investment objective for the default strategy is delivering the best retirement income for as many as possible, with new sub-objectives and investment beliefs underpinning that new objective.

In line with the new objectives and investment approach, five key portfolios were introduced: capital preservation illiquid, capital preservation liquid, growth, income and longevity. These were designed to replace the default foundation, default growth and default at retirement funds. Additionally, an interim target allocation was set up for these five portfolios to keep net transaction costs as low as possible.

Over the past year, Nest Invest has explored two new asset classes: timberland and thematic equities. After a competitive procurement process, Lombard Odier Asset Managers were appointed February 2024 to manage a new fund considering key themes when investing in public equities. A thorough due diligence process has also been undertaken for investing in timberland and appointments are expected this year. Both of these will complement the investment strategy and the goal of offering a diversified portfolio.

UK investment

The UK is a major investment market for the Scheme. The Trustee recognises that members will have a better retirement income if they spend their accumulation years in employment, contributing to their pension and that this is far more likely to occur if there is a thriving UK economy. Providing debt and equity capital to allow businesses to grow and investing in infrastructure to support productivity and/or the transition to net zero can achieve the twin objectives of delivering good financial returns for members whilst supporting UK economic growth. The Scheme has been one of the pioneers in investing in unlisted assets and will continue to look for ways to use these assets to enhance returns for members both pre and post retirement. Younger members who are a long way from retirement in particular have a high capacity for the benefits illiquid assets can bring.

- £8.3bn invested in the UK, representing 20% of total net assets.
- By 2030 the Trustee estimates around £20bn of the Scheme assets will be invested here in the UK.

The Trustee has mapped out many of its existing investments in the UK and will be updating this information on a regular basis as it invests in additional financially attractive opportunities. Companies headquartered or listed outside the UK can also be major employers within the UK and significant contributors to the UK economy. Measuring only UK domiciled or listed investments may therefore understate the true extent of the Scheme's exposure to the health of the UK economy. The Trustee recognises the high level of interest in its investment approach in the UK and will be exploring new ways to share this information publicly.

Forth Ports

Forth Ports is the third largest UK port operator, handling around 41 million tonnes of cargo each year. It runs eight sites across Scotland and England.

Hornsea 1 Windfarm

Located off the Lincolnshire coast in the North Sea, Hornsea 1 generates enough green energy to power over 1 million UK homes. It's comprised of 174 wind turbines, covering 407 square kilometres.

India Building, Liverpool

This Grade II building has been restored after being damaged in World War II. It's now considered one of Liverpool's heritage assets, hosting shops, offices and historic artefacts.

Pingewood Solar farm, Reading

Built on a reclaimed landfill site, the solar farm houses 60,000 solar panels covering around the same area as five football pitches. The project generates 15,000MWh of electricity, powering around 5,000 homes.

The Dolphin Shopping Centre

This community and shopping destination is home to 90 shops, flexible working and community events spaces, an NHS outpatient clinic and a curated high street for local independent retailers.

A selection of Nest's investments in UK companies and infrastructure projects



Fund performance

Performance of the Nest Scheme's default and non-default funds against their objectives.

The statutory guidance issued by the DWP in 'Completing the annual Value for Members assessment and Reporting of Net Investment Returns' (June 2021) has been followed in preparing these fund performance figures. For contextualising information about the performance of Scheme funds, see 'Investment developments' on **page 47**. The Scheme's investment return figures are net of costs and charges including the annual management charge and transaction costs but not the contribution charge, as where applicable this is deducted prior to the contributions are sent to STT for investment.

Fund^	Objective or Benchmark	Fund performance one year to 31 March 2024	Objective or benchmark returns over one year to 31 March 2024	Annualised fund performance three years to 31 March 2024	Annualised objective or benchmark returns over three years to 3 March 2024	Annualised fund performance five years to 31 March 2024	Annualised objective or benchmark returns over five years to 3 March 2024	Annualised fund performance ten years to 31 March 2024	Annualised objective or benchmark returns over ten years to 3 March 2024
		%	%	%	%	%	%	%	%
Nest Retirement Date Fund in the Growth phase†	CPI + 3%*	14.3	6.3	5.7	9.9	7.3	7.6	8.3	6.0
Nest Ethical Fund in growth phase	CPI + 3%**	10.7	6.3	4.1	9.9	7.3	7.6	9.1	6.0
Nest Sharia Fund	Dow Jones Islamic Titans 100 Index	32.1	30.4	14.7	15.0	17.2	17.4	15.5	16.0
Nest Higher Risk Fund	***	15.0	–	5.8	–	7.8	–	9.2	–
Nest Lower Growth Fund	****	6.2	–	1.3	–	1.4	–	0.9	–
Nest Guided Retirement Fund – Vault	CPI	11.6	3.2	3.5	6.7	–	–	–	–

^ For the inception date of all Retirement Date Funds refer Appendix 2 on **page 86**.
† Nest 2040 Retirement Date Fund.
* Nest Retirement Date Funds in the growth phase target investment returns equivalent to CPI inflation plus 3% and coverage of all Scheme charges (excluding the contribution charge which is deducted before contributions are invested with STT) over the long term.
** The Nest Ethical Fund has three accumulation phases. The fund performance shown is in the growth phase. It has a return objective of outperforming CPI inflation by more than 3% after all charges.
*** The Nest Higher Risk Fund has an objective to invest with higher risk than the default fund.
**** The Nest Lower Growth Fund has an objective to generate positive nominal returns after charges.

Chapter 3

Financial statements



Independent auditor's report to the Trustee of the Nest Scheme

Opinion

We have audited the financial statements of National Employment Saving Trust ("the Scheme") for the year ended 31 March 2024 which comprise the Scheme Account, the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 March 2024 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustee has prepared the financial statements on the going concern basis as it does not intend to wind up the Scheme, and as it has concluded that the Scheme's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Scheme and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Scheme will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee, and inspection of policy documentation, including the risk register, as to the Scheme's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether it has knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board, audit committee, risk committee, and investment committee meeting minutes and the Scheme's breach log.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that the Trustee (or its delegates, including Scheme administrators) may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of investments. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed schedule or pre-determined by each employer; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Scheme wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared and unusual journal entries to cash.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee and its delegates (as required by auditing standards) and discussed with the Trustee the policies and procedures regarding compliance with laws and regulations.

As the Scheme is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Scheme's procedures for complying with regulatory requirements and reading the minutes of Trustee meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Scheme is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Scheme is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Scheme's registration. We identified the following areas as those most likely to have such an effect: pensions legislation and data protection legislation, recognising the financial and regulated nature of the Scheme's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustee is responsible for the other information, which comprises the Board report, the Investment report, the Chair's Statement, the Implementation Statement, the TCFD Report, and Appendices. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in their statement set out on **page 34**, the Scheme Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **frc.org.uk/auditorsresponsibilities**

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Scheme Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustee for our audit work, for this report, or for the opinions we have formed.

Gemma Broom
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

27 June 2024



Financial statements

Fund account for the year ended 31 March 2024

	Note	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Contributions and benefits			
Contributions – employers	3	3,039,934	2,717,812
Contributions – members	3	3,382,070	3,089,847
Contributions – HM Revenue & Customs	3	836,668	704,301
Transfers in	4	512,915	380,906
		7,771,587	**6,892,866**
Benefits	5	(542,761)	(356,024)
Transfers out	4	(577,225)	(330,502)
Administrative expenses	6	(231,535)	(194,387)
Net additions from dealings with members		**6,420,066**	**6,011,953**
Returns on investment			
Investment income, management fee rebates and withholding tax	7	601,077	440,942
Change in market value of investments	8.1	4,038,138	(1,237,040)
		4,639,215	**(796,098)**
Net increase in the fund during the year		**11,059,281**	**5,215,855**
Net assets of the Scheme at the start of the year		**29,590,385**	**24,374,530**
Net assets of the Scheme at the end of the year		**40,649,666**	**29,590,385**

The notes on **page 60 to 78** are an integral part of these financial statements.

Statement of net assets (available for benefits) as at 31 March 2024

	Note	31 March 2024 £000	31 March 2023 £000
Assets and liabilities allocated to members			
Investment assets			
Equities	8.1	19,757,320	14,570,314
Bonds	8.1	5,029,100	3,399,667
Pooled investment vehicles	8.1	15,079,892	10,959,623
Derivatives	8.9	33,853	166,675
Cash and cash collateral	8.1	246,955	151,042
Other investment assets	8.4	137,521	89,775
Total investment assets		**40,284,641**	**29,337,096**
Investment liabilities			
Derivatives	8.9	(37,144)	(22,145)
Other investment liabilities	8.4	(119,948)	(141,844)
Total investments		**40,127,549**	**29,173,107**
Net current assets			
Current assets	9.1	603,195	537,065
Current liabilities	9.1	(84,718)	(120,006)
Total net assets allocated to members		**40,646,026**	**29,590,166**
Assets and liabilities not allocated to members			
Net current assets			
Current assets	9.2	4,116	1,020
Current liabilities	9.2	(476)	(801)
Total net assets not allocated to members		**3,640**	**219**
Total assets of the Scheme at the end of the year		**40,649,666**	**29,590,385**

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of the obligations to pay pensions and benefits which fall due after the end of the Scheme year. The financial statements on **page 58 to 59**, including the notes to the financial statements on **page 60 to 78**, were signed on behalf of Nest Corporation by:

Brendan McCafferty
Chair, Nest Corporation

27 June 2024

Myfanwy Barrett
Chair, Audit committee

27 June 2024

The notes on **page 60 to 78** are an integral part of these financial statements.

Notes to the financial statements

1. Basis of preparation

The financial statements have been prepared and audited in accordance with sections 41(1) and (6) of the Pensions Act 1995. They have also been prepared in accordance with Financial Reporting Standard (FRS) 102, 'Financial reporting standard applicable in the UK and Republic of Ireland', issued by the Financial Reporting Council, and with the guidance set out in the 'Statement of Recommended Practice (SORP): Financial reports of pension schemes' (revised June 2018).

1.1 Identification of the financial statements

The Scheme is a defined contribution occupational pension scheme established as a trust under English law. The Scheme was established to provide an auto enrolment workplace pension scheme for employers. The address for enquiries to the Scheme is included in 'Other useful information' on **page 80**.

It is a registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and members are normally eligible for tax relief, and income and capital gains earned by the Scheme are generally tax exempt, except for certain withholding and capital gains taxes relating to overseas investment income and capital gains.

1.2 Going concern

Under FRS 102 the Trustee must consider whether there are adequate resources for the Scheme to continue as a going concern, that is, continue in operation for at least 12 months from approval of these financial statements. For defined contribution (DC) master trusts, the financial strength of the funding entity must be considered, including whether a triggering event could arise as a result of insolvency or the master trust being unlikely to continue as a going concern. Therefore, when assessing the going concern basis of the Nest Scheme, the Trustee must assess the viability of the Scheme's funding entity, Nest Corporation.

The Trustee has assessed its financial viability over the next 18–24 months. The impact of considered severe but plausible downside scenarios can be managed within available mitigation actions should the need arise.

The going concern statement of Nest Corporation can be found in Nest Corporation's Annual report and accounts on the website. In summary, Nest Corporation continues to be a going concern based on four key considerations:

- **Loan funding from government**: Nest Corporation has access to a loan agreement with the DWP. This provides some assurance that future funding could be secured if revenue from the Scheme's charges is no longer sufficient to meet future costs.
- **Revenue from the Scheme**: Nest Corporation receives revenue from charges on the Scheme's assets under management and on contributions. Revenue from charges on assets under management will be impacted by any falls in global asset values. However, the Scheme has a diversified portfolio to provide some mitigation against this and any fall in this revenue will be partly offset by a fall in the costs of investment, which are calculated based on asset values.
- **Auto enrolment policy**: Automatic enrolment pension policy is supported by a broad national consensus, including employers and trade unions and active support across the political spectrum. In September 2023, a private members bill received Royal Assent to provide the secretary of state with the powers to facilitate the expansion of auto-enrolment. The implementation approach and timings are subject to consultation and confirmation. The Trustee's public service obligation remains in place to provide a workplace pension scheme to any employer that requires one.
- **Master trust supervision assurance**: In establishing that the Scheme's funding entity is a going concern, the Trustee has evidenced that a triggering event has not occurred. The Scheme therefore also meets this requirement of the going concern test.

The Trustee believes it has adequate resources to continue operations for at least a period of 18–24 months from the date of approval of the financial statements. For this reason, a going concern basis is considered appropriate in the preparation of the financial statements.

2. Accounting policies

The principal accounting policies of the Nest Scheme are as follows:

2.1 Contributions

Contributions received from employers for members and employers are accounted for in the pay reference period they are due under the payment schedule.

Contributions made directly by members or other permitted parties are accounted for on a cash basis.

Amounts due from HM Revenue & Customs (HMRC) in respect of tax relief on member contributions are accounted for in the same period as the related member contribution.

Refunds of contributions in relation to members who opt out of the Scheme are accounted for in the period the member notifies the Scheme of their intention to opt out.

2.2 Transfers

Individual transfers in and out are accounted for on a cash basis.

2.3 Benefits

The Scheme may pay benefits to members including:

- Paying the whole pension pot as cash.
- Using a drawdown facility such as the Nest Guided Retirement Fund or partial uncrystallised funds pension lump sum (UFPLS).

Benefits are accounted for upon notification to the Scheme of a member's decision to exercise their option, or upon certification in the case of a death.

2.4 Other income and expenses

Other income and expenditure is accounted for on an accruals basis.

2.5 Administrative expenses

Contribution charges of 1.8% are accounted for when contributions are invested. Annual management charges of 0.3% of the value of members' funds under management are accrued on a daily basis by reduction in the unit price of the Scheme fund the member is invested in.

2.6 Investment income

Investment income is included in the financial statements on the following bases:

- Dividends from equities held directly by the Scheme are accounted for when they are quoted ex-dividend.
- Interest income from bonds held directly by the Scheme is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.
- Where investment income arising from the underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles, it is reflected in the unit price and reported within change in market value of investments. Where investment income arising from the underlying investments of the pooled investment vehicles is not rolled up, income is accounted for on an accruals basis.
- Interest on cash and short-term deposits, and management fee rebates, are accounted for on an accruals basis.
- Investment income is reported net of attributable tax credits but gross of withholding taxes, which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.
- Income from stock lending is accounted for when received on a cash basis.
- Investment income from overseas investments may be subject to deduction of local withholding taxes under relevant domestic law. Where double taxation treaties exist between the UK and the country in which the income arises, the tax withheld may be reduced to a lesser rate or to zero by the operation of the relevant treaty. Tax treaties are monitored, and the necessary tax documentation is filed to maximise relief at source and any tax reclaims. Irrecoverable withholding taxes suffered, after applying any beneficial treaty rates are disclosed as an expense within investment income (refer note 7 below).

2.7 Investments

Investments are included at fair value as described below:

- Quoted securities on active markets are stated at the bid price at the date of the statement of net assets.
- Unquoted securities, including investments in private credit, private equity, and infrastructure equity, are included at the Trustee's estimate of accounting fair value based on advice from the investment managers or the investment advisor.
- Bonds are stated at their clean price, where applicable, including the indexation element which is payable on maturity. Accrued interest is included in investment income receivable.
- Pooled investment vehicles are stated at the latest available bid price or closing single price as provided by the investment manager.
- Exchange-traded derivatives are stated at fair value, which is determined using market-quoted prices.
- Forward foreign exchange contracts are valued at the forward rate at the date of the statement of net assets.
- All gains and losses arising on derivative contracts are reported within change in market value.
- Receipts and payments arising from derivative instruments are reported as sale proceeds or purchase of investments.
- Deposits, current assets, and current liabilities are included at book cost, which the Trustee considers represents a reasonable estimate of their fair value.
- The Scheme continues to recognise securities delivered out under stock lending arrangements reflecting the Scheme's ongoing interest in those securities.
- Securities received as collateral in respect of stock lending arrangements are disclosed but not recognised as Scheme assets.

2.8 Management fees and management fee rebates

Certain pooled investment vehicles have management fees built into their unit price such that the unit prices are effectively reduced by such management fees and thus the Scheme valuations are in-turn reduced. When this occurs, there is an agreement that Nest Corporation will rebate these management fees back to the Scheme as income (refer note 7 below) so that the net effect is that there is no cost to members. The management fee rebates are accrued for daily (refer note 8.4 below) in line with the management fees charged, and then paid into the Scheme monthly.

2.9 Foreign currencies

The functional and presentational currency of the Scheme is pound sterling. Balances denominated in foreign currencies are translated into sterling at the rate ruling at year-end. Assets and liabilities are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

2.10 Change in market value of investments

Change in market value of investments comprises realised gains and losses on investments sold in the year and unrealised gains and losses on investments assets held at year-end.



3. Contributions

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Contributions from:		
Participating employers	3,043,306	2,720,880
less employers' share of refund of contributions for members opting out	(3,372)	(3,068)
	3,039,934	**2,717,812**
Members	3,385,945	3,093,358
less members' share of refund of contributions for members opting out	(3,875)	(3,511)
	3,382,070	**3,089,847**
HM Revenue and Customs	836,706	704,327
less HMRC share of refund of contributions for members opting out	(38)	(26)
	836,668	**704,301**
Total	**7,258,672**	**6,511,960**

4. Transfers in and transfers out

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Transfers in – registered pension schemes	505,577	372,500
Transfers in – pension sharing order	7,338	8,406
Total transfers in	**512,915**	**380,906**
Transfers out – registered pension schemes	(576,800)	(330,208)
Transfers out – pension sharing order	(425)	(294)
Total transfers out	**(577,225)**	**(330,502)**

5. Benefits

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Commutations and lump sum retirement benefits	256,092	194,917
Uncrystallised funds pension lump sum (UFPLS)	249,913	133,800
Death benefits payable to beneficiaries	31,919	24,191
Serious ill health benefits	2,981	2,093
Annuities purchased through open-market option	1,856	1,023
Total	**542,761**	**356,024**

6. Administrative expenses

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Contribution charge	129,861	117,286
Annual management charge	101,615	77,098
Sundry costs paid out in line with the Order & Rules	59	3
Total	**231,535**	**194,387**

7. Investment income, management fee rebates and withholding tax

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Dividends from equities	357,510	301,796
Income from bonds	187,677	85,243
Income from pooled investment vehicles	54,756	49,880
Income from stock lending	924	–
Management fee rebates	23,053	15,208
Irrecoverable withholding tax	(22,843)	(11,185)
Total	**601,077**	**440,942**

8. Investments

8.1 Investment movements

	Note	B'fwd as at 1 April 2023 £000	Purchases £000	Sales Proceeds £000	Change in market value £000	C'fwd as at 31 March 2024 £000
Equities		14,570,314	4,398,847	(2,129,734)	2,917,893	19,757,320
Bonds		3,399,667	3,543,053	(1,966,415)	52,795	5,029,100
Pooled investment vehicles	8.2	10,959,623	13,720,216	(10,333,549)	733,602	15,079,892
Derivatives – futures	8.9	(7,731)	128,437	(109,711)	(4,202)	6,793
Derivatives – forward FX contracts	8.9	152,261	927,037	(1,195,191)	105,809	(10,084)
		29,074,134	**22,717,590**	**(15,734,600)**	**3,805,897**	**39,863,021**
Cash and cash collateral		151,042			231,589	246,955
Other investment assets	8.4	89,775			562	137,521
Other investment liabilities	8.4	(141,844)			90	(119,948)
Total investments		**29,173,107**			**4,038,138**	**40,127,549**
Represented by:						
Allocated to members		29,173,107				40,127,549
Not allocated to members		–				–
Total investments		**29,173,107**				**40,127,549**

8.2 Pooled investment vehicles

A summary of pooled investment vehicles by type of arrangement is as follows:

	31 March 2024 £000	31 March 2023 £000
Undertakings for collective investment in transferable securities (UCITS)	6,385,326	4,382,691
Unit-linked insurance contracts	4,782,576	3,580,174
Shares in limited partnerships	3,074,101	2,285,678
Reserved alternative investment funds (RAIF)	837,889	711,080
Total	**15,079,892**	**10,959,623**

A summary of pooled investment vehicles by type of fund is as follows:

	31 March 2024 £000	31 March 2023 £000
Bonds	5,498,520	4,085,949
Property	2,802,091	1,882,565
Cash	2,189,312	1,318,298
Infrastructure equities	1,812,707	1,464,380
Private credit	1,300,179	1,089,725
Private equity	799,105	442,652
Equities	677,978	676,054
Total	**15,079,892**	**10,959,623**

The Scheme is a sole investor in 7 (2022/23:7) pooled investment vehicles included within the above analysis:

- Amundi Global Commercial Real Estate Debt Fund
- BlackRock GBP Infrastructure Debt Fund
- BNP Paribas Diversified Private Credit Fund
- CBRE Infrastructure Equity
- HarbourVest Co-Investment L.P.
- Octopus Renewables Infrastructure Partnership V L.P.
- Schroders Private Equity Fund.

An analysis of the underlying asset classes of these sole investor pooled investment vehicles is as follows:

	31 March 2024 £000	31 March 2023 £000
Private credit	1,265,017	918,570
Infrastructure equities	950,924	716,621
Private equity	797,720	425,353
Cash	34,172	188,700
Derivatives	8,188	13,314
Total	**3,056,021**	**2,262,558**

8.3 Investment managers during the year

The investment managers used by the Scheme during the year, together with their assets under management at year-end, is as follows:

	31 March 2024 £000	31 March 2023 £000
UBS Asset Management (UK) Ltd	17,726,143	13,218,469
Royal London Asset Management Ltd	3,245,433	2,045,412
Allspring Global Investments (UK) Ltd	3,217,968	1,829,465
Legal & General Investment Management Ltd	3,010,483	2,279,308
BlackRock Inc	2,830,664	1,873,685
Amundi Asset Management	1,934,574	1,606,424
Northern Trust Global Investments Ltd	1,921,791	1,338,340
J.P. Morgan Asset Management (UK) Ltd	1,516,103	1,304,388
Octopus Investments Ltd	815,831	760,355
CBRE Investment Management Inc	767,223	523,655
BNP Paribas Asset Management Nederland NV	524,996	475,857
Schroders Capital Private Equity Wollestonecraft Management Ltd	479,264	242,133
HSBC Global Asset Management (UK) Ltd	417,263	197,146
CoreCommodity Management LLC	401,577	423,615
HarbourVest Partners	319,841	200,519
Columbia Threadneedle Investments	313,748	246,053
Local Pensions Partnership Investments Ltd / GLIL	229,653	180,369
State Street Global Advisors Europe Ltd	184,232	328,707
BlackRock Life Limited (from October 2023)	6,687	–
Amundi (UK) Ltd	(453)	234
Lombard Odier Asset Management (Europe) Limited (from February 2024)	–	–
Total	**39,863,021**	**29,074,134**

8.4 Other investment balances

	31 March 2024 £000	31 March 2023 £000
Investment income accrued	103,878	71,386
Recoverable withholding tax	21,923	12,196
Management fee rebates receivable	6,390	5,320
Pending trades receivable	5,330	873
Other investment assets	**137,521**	**89,775**
Pending trades payable	(119,948)	(141,844)
Other investment liabilities	**(119,948)**	**(141,844)**

8.5 Investment assets allocated to members

Members' contributions are invested and allocated in accordance with their fund selection into the relevant funds below:

	31 March 2024 £000	31 March 2023 £000
Nest Retirement Date Funds	38,183,957	27,911,434
Nest Higher Risk Fund	1,032,332	705,534
Nest Sharia Fund	416,721	194,598
Nest Ethical Fund	390,651	303,069
Nest Guided Retirement Funds	84,439	35,262
Nest Lower Growth Fund	19,449	15,955
Total assets allocated to members	**40,127,549**	**29,165,852**

8.6 Fair value hierarchy

The fair value of financial instruments has been determined and disclosed using the following fair value hierarchy:

- **Level 1**: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can assess at the measurement date.
- **Level 2**: Inputs other than quoted prices included with level 1 that are observable (that is, developed using market data) for the assets or liabilities, either directly or indirectly.
- **Level 3**: Inputs that are unobservable (that is, for which market data are unavailable) for the assets or liabilities.

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy levels as follows:

31 March 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Equities	19,757,320	–	–	19,757,320
Bonds	475,999	4,553,101	–	5,029,100
Pooled investment vehicles	–	11,167,901	3,911,991	15,079,892
Derivatives	6,793	(10,084)	–	(3,291)
	20,240,112	**15,710,918**	**3,911,991**	**39,863,021**
Cash and cash collateral	246,955	–	–	246,955
Other net investment balances	17,573	–	–	17,573
Total	**20,504,640**	**15,710,918**	**3,911,991**	**40,127,549**

31 March 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Equities	14,570,314	–	–	14,570,314
Bonds	479,106	2,920,561	–	3,399,667
Pooled investment vehicles	–	7,962,863	2,996,760	10,959,623
Derivatives	(7,731)	152,261	–	144,530
	15,041,689	**11,035,685**	**2,996,760**	**29,074,134**
Cash and cash collateral	151,042	–	–	151,042
Other net investment balances	(59,324)	–	–	(59,324)
Total	**15,133,407**	**11,035,685**	**2,996,760**	**29,165,852**

8.7 Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

- **Credit risk**: This is the risk that one party to a financial transaction will cause a financial loss for the other party by failing to discharge an obligation.
- **Market risk**: This comprises currency risk, interest rate risk and other price risk.
  - **Currency risk**: This is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes to foreign exchange rates.
  - **Interest rate risk**: This is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes to market interest rates.
  - **Other price risk**: This is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes to market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines the Scheme's investment strategy after taking advice from professional investment advisers and Nest Invest.

The Scheme has exposure to these risks because of the investments the Trustee makes to implement its investment strategy, which is described in Chapter 2, 'Investment report', starting on **page 36**. The Trustee manages investment risks within agreed risk limits which are set taking into account the Scheme's strategic investment objectives.

The Scheme's assets under management are invested in a diversified range of asset classes. The day-to-day management of the underlying investment funds is the responsibility of each designated investment manager. Their responsibilities include the direct management of credit and market risk. A full list of investment managers and their respective assets under management is set out in note 8.3 on **page 67**.

Nest Invest monitors the underlying risks on a monthly basis based on holdings data received from the investment managers.

8.7.1 Credit risk

The Scheme is subject to direct credit risk because the Scheme invests directly in bonds, over the counter (OTC) derivatives, exchange traded derivatives, undertakes stock lending activities, has cash balances and unsettled trades. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in pooled investment vehicles and indirectly exposed to credit risk arising on the financial instruments held by the pooled investment vehicles.

Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds where the majority are rated at least investment grade. Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty.

Credit risk arises on forward FX currency contracts. There are some collateral agreements in place for these contracts which reduce the credit risk, and all counterparties are required to have an investment grade credit rating at the point of trade execution. Forward FX collateral balances are detailed in note 8.9 on **page 73**.

Cash is held within financial institutions which are at least investment grade credit rated. The Scheme's holdings in pooled investment vehicles are unrated as the ratings would apply to the underlying investments. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled investment manager, provisions to automatically dissolve the funds in the event of insolvency of the pooled investment manager or general partner, a cap of liability to pooled funds at the level of funds committed, the regulatory environment in which the pooled investment managers operate and diversification of investments amongst a number of pooled arrangements.

Some of the Scheme's pooled investment managers have the ability to invest in non-investment grade investments, this risk is managed through diversification. The Trustee carries out due diligence checks on the appointment of new investment managers and, on an ongoing basis, monitors any changes to the regulatory and operating environment of the investment manager. A summary of the pooled investment vehicles by type is included in note 8.2 on **page 66** which details the underlying structures of the pooled investment vehicles, as at 31 March of the year under review.

Credit risk arising from stock lending activities is mitigated by only lending to approved borrowers who are rated investment grade. Loans are fully collateralised, with daily mark to market of all loaned securities, to ensure collateral is received or returned to maintain full collateralisation, with minimum required levels of 105% collateralisation on equities and 102% on bonds. In addition, the Scheme's custodian provides indemnity against losses arising from stock lending exposure to counterparties. Details regarding stock lending are provided in note 11 below.

The Scheme is also subject to indirect credit risk in relation to the underlying investments held in the pooled investment vehicles. The investment managers of the pooled vehicles manage the risk by having a diversified exposure, conducting thorough research, and assessing the probability of default and limiting their exposure to issuers rated below investment grade. The magnitude of the indirect credit risk will vary over time as investment managers change their underlying investments.

Analysis of direct credit risk

31 March 2024	Investment grade £000	Non-investment grade £000	Unrated £000	Total £000
Bonds held in pooled investment vehicles	–	–	5,498,520	5,498,520
Bonds	3,499,881	1,529,219	–	5,029,100
Property held in pooled investment vehicles	–	–	2,802,091	2,802,091
Cash held in pooled investment vehicles	–	–	2,189,312	2,189,312
Infrastructure equities held in pooled investment vehicles	–	–	1,812,707	1,812,707
Private credit held in pooled investment vehicles	–	–	1,300,179	1,300,179
Private equity held in pooled investment vehicles	–	–	799,105	799,105
Equities held in pooled investment vehicles	–	–	677,978	677,978
Cash and cash collateral	246,955	–	–	246,955
Derivatives – forward FX contracts	10,084	–	–	10,084
	3,756,920	**1,529,219**	**15,079,892**	**20,366,031**

31 March 2023	Investment grade £000	Non-investment grade £000	Unrated £000	Total £000
Bonds held in pooled investment vehicles	–	–	4,085,949	4,085,949
Bonds	2,103,768	1,295,899	–	3,399,667
Property held in pooled investment vehicles	–	–	1,882,562	1,882,565
Infrastructure equities held in pooled investment vehicles	–	–	1,464,383	1,464,380
Cash held in pooled investment vehicles	–	–	1,318,298	1,318,298
Private credit held in pooled investment vehicles	–	–	1,089,725	1,089,725
Equities held in pooled investment vehicles	–	–	676,054	676,054
Private equity held in pooled investment vehicles	–	–	442,652	442,652
Derivatives – forward FX contracts	152,261	–	–	152,261
Cash and cash collateral	151,042	–	–	151,042
	2,407,071	**1,295,899**	**10,959,623**	**14,662,593**

8.7.2 Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee limits overseas currency exposure through a currency hedging policy. The Scheme is also subject to indirect currency risk which arises on pooled investment vehicles (refer note 8.7.4 below) where the vehicle invests in assets which are denominated in foreign currencies and/or comprise assets whose economic value is generated in foreign currencies.

The Scheme's total net unhedged exposure at year-end, which is inline with the Trustee's hedging policy and thus risk appetite, was as follows:

	31 March 2024 £000	31 March 2023 £000
US dollar	16,173,941	11,514,814
Euro	2,861,181	2,125,594
Japanese yen	1,296,854	986,386
South Korean won	538,962	393,186
Hong Kong dollar	448,622	498,870
Canadian dollar	424,574	359,675
Swiss franc	404,299	373,037
Taiwan dollar	353,539	234,074
Australian dollar	329,825	303,917
Indian rupee	314,936	–
Danish krone	145,640	109,700
Swedish krona	125,299	100,505
Other currencies	799,922	666,947
	24,217,594	**17,666,705**
Less: Foreign currency hedging	(9,697,523)	(7,859,444)
	14,520,071	**9,807,261**

8.7.3 Interest rate risk

The Scheme is subject to interest rate risk on bonds held either as segregated investments or through pooled investment vehicles. The Trustee manages direct and indirect interest rate risk exposure by constructing a diverse portfolio of investments across multiple markets. Cash including liquidity funds are exposed to short duration interest rate risk. However, these balances have been excluded from the amounts disclosed below as the interest rate risk involved is immaterial.

At year-end the Scheme held the following investments that are subject to direct interest rate risk:

	31 March 2024 £000	31 March 2023 £000
Bonds held in pooled investment vehicles	5,498,520	4,085,949
Bonds	5,029,100	3,399,667
Private credit held in pooled investment vehicles	1,300,179	1,089,725
	11,827,799	**8,575,341**

8.7.4 Indirect credit and market risk

The Scheme is subject to indirect currency, other price risk, interest rate and credit risk arising from the underlying investments held in the pooled investment vehicles. The table below breaks down the risk exposure by pooled investment vehicle:

	Holding as at 31 March 2024 £000	Currency risk	Other price risk	Interest rate risk	Credit risk
Amundi Funds Global Emerging Blended - IE	1,621,681	●	◐	●	●
Amundi Global Commercial Real Estate Debt Fund	312,893	◐	●	●	●
BlackRock Aquila Life 5-15 Years UK Gilt Index Fund	3,064	○	◐	●	◐
BlackRock Aquila Life Over 15 Years UK Gilt Index Fund	3,623	○	◐	●	◐
BlackRock ICS Sterling Liquid Environmentally Aware Fund	1,834,851	○	○	●	◐
BlackRock GBP Infrastructure Debt Fund	462,290	◐	●	●	●
BlackRock Institutional Sterling Ultra Short Bond Fund	533,523	○	◐	●	●
BNP Paribas Diversified Private Credit Fund	524,996	◐	●	●	●
CBRE Infrastructure Equity	767,223	●	●	○	◐
CT Responsible Global Equity Fund	222,553	●	●	○	◐
CT Responsible Sterling Corporate Bond Fund	91,195	◐	◐	●	●
GLIL Infrastructure Equity	229,653	◐	●	○	◐
HarbourVest Co-Investment L.P.	319,841	●	●	○	●
HSBC Islamic Global Equity Index Fund	417,263	●	●	○	◐
LGIM Global Real Estate Equity Index Fund	38,162	●	●	○	◐
LGIM Hybrid Property Fund	2,416,069	◐	●	◐	◐
LGIM Managed Property Fund	35,314	○	●	◐	◐
LGIM LPI Income Property Fund	350,708	○	●	◐	◐
LGIM Sterling Liquidity Fund	170,230	○	◐	●	◐
Octopus Renewables Infrastructure Partnership V L.P.	189,514	●	●	○	◐
Octopus Infrastructure Renewables (Sky)	626,317	●	●	○	◐
Royal London Investment Grade Short Dated Credit	1,198,164	○	◐	●	●
Royal London Short Duration Gilt Fund (Class N - Acc)	281,862	○	◐	●	◐
Royal London UK Corporate Bond Pooled Pension Fund	1,765,407	○	◐	●	●
Schroders Private Equity Fund	479,264	○	●	○	●
SSGA Offshore USD Cash Fund	117,451	●	○	●	●
State Street GBP Liquidity Fund	66,781	○	◐	●	●
Total pooled investment vehicles	**15,079,892**				

● **Significant exposure**

An investment risk determined to have significant exposure is a risk, that in the judgment of management, represents a material component of gross overall investment risk exposure to the Scheme, before derivative overlay contracts are taken into consideration to manage investment risk.

◐ **Some exposure**

An investment risk determined to have some exposure is a risk that, in the judgement of management, has a limited contribution to gross overall investment risk exposure to the Scheme.

○ **No exposure**

An investment risk determined to have no exposure is a risk that, in the judgement of management, has either a residual or no contribution to gross overall investment risk to the Scheme.

8.7.5 Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio, which includes directly held equities, futures, equities held in pooled investment vehicles, property held in pooled investment vehicles, and private credit held in pooled investment vehicles.

The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

At the year-end, the Scheme's exposure to investments subject to other price risk was:

	31 March 2024 £000	31 March 2023 £000
Equities	19,757,320	14,570,314
Property held in pooled investment vehicles	2,802,091	1,882,565
Infrastructure equities held in pooled investment vehicles	1,812,707	1,464,380
Private credit held in pooled investment vehicles	1,300,179	1,089,725
Private equity held in pooled investment vehicles	799,105	442,652
Equities held in pooled investment vehicles	677,978	676,054
Derivatives - futures	6,793	7,731
	27,156,173	**20,133,421**

8.8 Concentration of investment

Scheme investments include the following which represent more than 5% of the total value of the net assets of the Scheme:

	31 March 2024 £000	31 March 2023 £000
LGIM Hybrid Property Fund	2,416,069	1,853,288
Representing (of total net assets)	**5.9%**	**6.3%**

8.9 Derivatives

Derivatives held at year-end were as follows:

	31 March 2024		31 March 2023	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Futures	11,887	(5,094)	9,777	(17,508)
Forward FX contracts	21,966	(32,050)	156,898	(4,637)
Total	**33,853**	**(37,144)**	**166,675**	**(22,145)**
Total net derivatives		**(3,291)**		**144,530**

Futures

The details of open futures contracts at year-end were as follows:

Commodity Futures bought	Notional amount £000	Duration	Asset Value at year-end £000	Liability value at year-end £000
COMEX division of NYMEX (CMX)	63,026	less than 1 year	4,117	–
NYMEX Exchange (NYM)	85,609	less than 1 year	2,999	(3,868)
LME Benchmark Monitor (LME)	46,810	less than 1 year	1,717	–
Intercontinental Exchange (ICE)	25,167	less than 1 year	1,622	(105)
Chicago Board of Trade (CBT)	(74,185)	less than 1 year	675	(881)
ICE Futures US Softs (NYB)	20,266	less than 1 year	507	(34)
Osaka Exchange (OSE)	(13,813)	less than 1 year	211	–
Chicago Mercantile Exchange (CME)	(7,811)	less than 1 year	38	(203)
EUREX	4,125	less than 1 year	1	(3)
Total as at 31 March 2024	**149,194**		**11,887**	**(5,094)**
Total as at 31 March 2023	663,720		9,777	(17,508)
Total net futures as at 31 March 2024				**6,793**
Total net futures as at 31 March 2023				(7,731)

At the year-end, the counterparties had deposited £38,040k of US Treasury Bills (2022/23: £49,320k) and cash of £23,150k (2022/23: £28,626k) in respect of collateral held on open futures contracts at year-end. This collateral is not reported within the Scheme's net assets.

Forward FX contracts

Currency Bought	Local value £000	Currency sold	Local value '000	Forward FX settlement	Asset value at year-end £000	Liability value at year-end £000
Pound sterling	1,250,725	Japanese yen	236,834,780	1 to 6 months	9,075	–
Pound sterling	432,027	Swiss franc	484,963	1 to 6 months	5,088	(2)
Pound sterling	2,902,537	Euro	3,389,648	1 to 6 months	3,469	(501)
Pound sterling	153,682	Swedish krona	2,041,997	1 to 6 months	2,424	(1)
Pound sterling	16,941,276	US dollar	21,440,388	1 to 6 months	542	(30,209)
Pound sterling	30,777	Israeli new shekel	140,668	1 to 6 months	369	(1)
Pound sterling	29,846	Norwegian krone	404,417	1 to 6 months	327	–
Pound sterling	156,416	Danish krone	1,361,992	1 to 6 months	205	(3)
Pound sterling	14,401	New Zealand dollar	30,165	1 to 6 months	119	–
Pound sterling	58,046	Singapore dollar	98,730	1 to 6 months	100	(1)
Pound sterling	364,881	Australian dollar	707,163	1 to 6 months	–	–
Pound sterling	15,900	Poland zloty	80,193	1 to 6 months	–	(16)
Pound sterling	103,945	Hong Kong dollar	1,027,774	1 to 6 months	–	(53)
Pound sterling	463,462	Canadian dollar	793,511	1 to 6 months	–	(781)
Other	Other			1 to 6 months	248	(482)
Total as at 31 March 2024					**21,966**	**(32,050)**
Total as at 31 March 2023					156,898	(4,637)
Total net forward FX contracts as at 31 March 2024						**(10,084)**
Total net forward FX contracts as at 31 March 2023						152,261

Included within net assets is £20,740k of cash (2022/23: £31,350k) in respect of collateral held on open forward FX contracts at year-end.

8.10 Transaction costs

Included within the purchases and sales of assets are transaction costs of £4,197k (2022/23: £3,771k), comprising fees, commissions, and transaction tax/stamp duty. In addition to the direct/explicit transaction costs disclosed below, indirect/implicit costs are incurred through the bid-offer spread on investments. The direct/explicit costs are attributable to the key asset classes as follows:

	Fees £000	Commission £000	Transaction tax/Stamp duty £000	Total £000
Equities	151	722	1,385	2,258
Infrastructure equities held in pooled investment vehicles	1,285	–	–	1,285
Derivatives	–	230	–	230
Property held in pooled investment vehicles	126	41	10	177
Private equity held in pooled investment vehicles	127	–	–	127
Equities held in pooled investment vehicles	1	65	35	101
Bonds held in pooled investment vehicles	13	6	–	19
Total for the year ended 31 March 2024	**1,703**	**1,064**	**1,430**	**4,197**
Total for the year ended 31 March 2023	840	1,039	1,892	3,771

9. Current assets and liabilities

9.1 Current assets and liabilities allocated to members

	31 March 2024 £000	31 March 2023 £000
Contributions due from:		
Participating employers	153,039	130,385
Members	162,364	140,111
HM Revenue & Customs	133,918	127,241
Cash	153,874	139,328
Current assets	**603,195**	**537,065**
Benefits payable	(50,700)	(32,670)
Contributions yet to be allocated to member accounts or returned to employers	(22,198)	(79,210)
Annual management charge accrued	(10,012)	(7,255)
Other payables	(1,808)	(871)
Current liabilities	**(84,718)**	**(120,006)**
Net current assets allocated to members	**518,477**	**417,059**

The contributions yet to be allocated to member accounts relate to cash being held after year-end for investment in the next few days. Outstanding member and employer contributions at year-end totalled £315,403k (2022/23: £270,496k). In respect of these outstanding contributions, it was all received by 31 May 2024 (31 May 2023: £239,549k).

Employer-related investments

The balance at 31 March 2024 includes contributions due from employers totalling £271,173k (2022/23: £231,728k), which were due after their statutory due dates as required by the payment schedules. These represent employer-related investments at year-end of 0.7% of the Scheme's total net assets (2022/23: 0.8%), but they did not contravene subsection (1) of section 40 of the 1995 Pensions Act.

The Scheme's investments in participating employers are shown in Appendix 1 on **page 84**.

9.2 Current assets and liabilities not allocated to members

	31 March 2024 £000	31 March 2023 £000
Cash	3,612	666
Other receivables	504	354
Current assets	**4,116**	**1,020**
Contribution charge payable	–	(338)
Other payables	(476)	(463)
Current liabilities	**(476)**	**(801)**
Total net assets not allocated to members	**3,640**	**219**

10. Contingent liabilities and contractual commitments

The following contractual commitments existed at year-end:

	31 March 2024 £000	31 March 2023 £000
Private equity held in pooled investment vehicles	1,060,025	918,225
Infrastructure equities held in pooled investment vehicles	756,742	357,168
Private credit held in pooled investment vehicles	227,319	222,419
Total	**2,044,086**	**1,497,812**

11. Stock lending

Stock has been lent to the counterparties in return for the fee income earned by the Scheme.

Security for these loans is obtained by holding collateral in the forms reflected below:

	31 March 2024 £000	31 March 2023 £000
Value of stock on loan		
Equities	395,103	–
Bonds	385,795	–
Total	**780,898**	**–**
Collateral held		
Cash	357,257	–
Bonds	262,164	–
Equities	206,690	–
Total	**826,111**	**–**

12. Related party transactions

The Scheme's Trustee is Nest Corporation, a public corporation accountable to the Secretary of State for Work and Pensions. The Scheme pays the Trustee the contribution charge and annual management charge set out in note 6. The total amount for 2023/24 was £231,118k (2022/23: £194,384k), of which £10,012k was outstanding at year-end (2022/23: £7,593k).

Nest Corporation is a participating employer in the Scheme. Contributions of £3,290k were payable by Nest Corporation to the Scheme during 2023/24 (£3,197k in 2022/23).

Remuneration and pay for Board members is set by the Secretary of State for Work and Pensions. Total Board member remuneration for 2023/24 was £973k (2022/23: £814k) and is paid for by Nest Corporation. More details on Board member remuneration can be found in the 'Corporation annual report and accounts' at **nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html**

Where Board members or their close family relatives are members of the Scheme through self-employment or a participating employer, all contributions to the Scheme are made on standard business terms.

The Trustee pays for all of the running costs of the Scheme including the payment of fees for the investment managers, investment fund administrators STT, the Scheme's administrator TCS and the auditors. The details of these fees can be seen in the 'Corporation annual report and accounts' at **nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html**

Nest Invest Limited is considered a related party of the Scheme as it is a wholly owned subsidiary of Nest Corporation. There were no transactions between Nest Invest Limited and the Scheme during the year under review (2022/23: no transactions).

Investment securities issued by HM Government are excluded from the definition of employer related investments for the purposes of these audited financial statements.



Other useful information

Nest's contact details

nestpensions.org.uk

Members or employers already using Nest can contact the Trustee at **support@nestpensions.org.uk** or alternatively at:

Nest, the National Employment Savings Trust
Nene Hall
Lynch Wood Business Park
Peterborough
PE2 6FY

Phone: 0300 020 0090

Secretary to the Trustee

Nest Corporation Corporate Secretary

Email: **secretariat@nestcorporation.org.uk**

Regulation and disputes

The Pensions Regulator (TPR)

TPR has powers to regulate workplace pension schemes.

It works with trustees, employers, pension specialists and business advisers to protect members' benefits and encourages high standards in running pension schemes.

TPR is able to intervene in the running of schemes where trustees, providers or employers have failed in their auto enrolment duties.

Phone: 0345 600 7060

Contact: **thepensionsregulator.gov.uk/en/contact-us**

Website: **thepensionsregulator.gov.uk**

MoneyHelper

MoneyHelper provides impartial guidance about money and pensions that is free to use and backed by the government. It can help both Nest members and members' beneficiaries if they experience problems related to Nest or any other pension scheme.

Phone: 0800 678 1648

Contact: **moneyhelper.org.uk/en/contact-us/pensions-guidance**

Website: **moneyhelper.org.uk**

The Pensions Ombudsman

The Pensions Ombudsman investigates and determines any complaint or dispute of fact or law, in relation to an occupational pension scheme, which cannot be settled through MoneyHelper's services or Nest's internal disputes resolution (IDR) procedure.

Phone: 0800 917 4487

Email: **enquiries@pensions-ombudsman.org.uk**

Website: **pensions-ombudsman.org.uk**

Pensions information

Pension Wise

A service of MoneyHelper, Pension Wise provides free help for your pension choices.

Phone: 0800 678 1648

Contact: **moneyhelper.org.uk/en/contact-us/pensions-guidance**

Website: **moneyhelper.org.uk**

Money & Pensions Service (MaPS)

Impartial money and pensions guidance, backed by government and free to use.

Phone: 0800 138 7777

Contact: **maps.org.uk/contact-us/**

Website: **maps.org.uk**



Appendices



Appendix 1

Top 100 investments

The top 100 investments as at 31 March 2024 have been calculated on a look-through basis to the underlying holdings of the pooled investment vehicles and segregated accounts invested in by the Scheme.

Employer-related investments* are the participating employers in which the Scheme invests at arm's length through investment managers.

Number	Investments	% of investments
1	Microsoft Corp	2.27
2	Apple Inc	1.84
3	Nvidia Corp	1.61
4	Alphabet Inc	1.24
5	Amazon.com Inc*	1.12
6	Meta Platforms Inc	0.73
7	Berkshire Hathaway Inc	0.53
8	Hornsea 1	0.52
9	Eli Lilly And Co	0.48
10	Taiwan Semiconductor Manufacturing Co*	0.43
11	JPMorgan Chase & Co	0.42
12	Broadcom Inc	0.40
13	Woodside Industrial Estate, Dunstable	0.40
14	Samsung Electronics Co Ltd	0.39
15	Tesla Inc*	0.38
16	Mastercard Inc	0.32
17	The Industrial Property Investment Fund	0.32
18	UnitedHealth Group Inc*	0.31
19	Toyota Motor Corp*	0.30
20	The Home Depot Inc	0.30
21	Johnson & Johnson	0.29
22	Merck & Co Inc	0.27
23	Novo Nordisk Inc	0.27
24	ASML Holding NV	0.25
25	Visa Inc	0.25
26	Accenture	0.24
27	West Cross Industrial Park, Brentford	0.24
28	US Treasury Bill 23/04/2024	0.24
29	Procter & Gamble Co	0.24
30	UK Gas Distribution	0.23
31	Generate	0.23
32	Prologis Inc	0.21
33	Walmart Inc	0.21
34	Costco Wholesale Corp	0.21
35	Salesforce.Com Inc	0.21
36	Bank of America Corp	0.21
37	Thermo Fisher Scientific Inc	0.21
38	Brigg*	0.20
39	International Business Machines Corp	0.20
40	Oracle Corp	0.20
41	AbbVie Inc	0.19
42	UK Gilt 29/01/2027	0.19
43	RTX	0.19
44	Advanced Micro Devices Inc	0.19
45	Adobe Inc	0.19
46	Tencent Holdings Ltd	0.18
47	General Electric Company	0.18
48	US Treasury Bill 16/04/2024	0.18
49	Honeywell International Inc	0.18
50	Wells Fargo & Co	0.18
51	SAP SE	0.17
52	LVMH Moet Hennessy Louis Vuitton SE	0.17
53	Kingsland Business Park, Basingstoke	0.17
54	TotalEnergies SE	0.17
55	Intel Corp	0.17
56	Siemens AG	0.17
57	PepsiCo Inc*	0.17
58	Novartis International AG	0.17
59	AstraZeneca plc	0.17
60	Netflix Inc*	0.16
61	Cisco Systems Inc	0.16
62	Applied Materials Inc	0.16
63	Databank	0.15
64	Walt Disney Co	0.15
65	Qualcomm Inc	0.15
66	Nestle SA	0.15
67	MUFG Bank Ltd*	0.15
68	Norled AS	0.15
69	Shell Plc	0.15
70	Airbus SE*	0.15
71	Strand Island Site, London	0.15
72	Schneider Electric SE	0.14
73	Coca-Cola Co	0.14
74	Trane Technologies PLC	0.14
75	Sanctuary Buildings, London	0.14
76	Oasis	0.14
77	Comcast Corp	0.14
78	Abbott Laboratories	0.14
79	United Parcel Service Inc	0.13
80	Pfizer Inc	0.13
81	Caterpillar Inc	0.13
82	Gaishecke Wind Farm	0.13
83	Echolab Inc	0.13
84	NQ PE Project Colosseum Co-Invest (Natus Medical)	0.13
85	Saber Power Services LLC	0.13
86	Hitachi Ltd*	0.13
87	Honda Motor Co Ltd	0.13
88	Equinix INC	0.13
89	ServiceNow Inc	0.13
90	Lincs	0.13
91	ConocoPhillips	0.13
92	Cummins Inc	0.13
93	US Treasury Bill 06/06/2024	0.12
94	Chevron Corp	0.12
95	Commonwealth Bank of Australia	0.12
96	WW Granger	0.12
97	Phillips 66	0.12
98	North Tower, Deansgate	0.12
99	Lockheed Martin Corp	0.12
100	Vantage Data Centers	0.12

Appendix 1

Appendix 2

Nest Retirement Date Funds performance

The statutory guidance issued by the DWP in 'Completing the annual Value for Members assessment and Reporting of Net Investment Returns' (June 2021) has been followed in preparing these fund performance figures. It is worth noting, however, that as the 1.8% contribution charge is deducted prior to contributions being invested with STT, the below calculations do not take into consideration the contribution charge. For contextualising information about the performance of Scheme funds, see 'Investment developments' on **page 47**. On the below table when the fund has not existed long enough to produce a return for the relevant period (refer the Inception date) then no return has been reflected but rather a "-".

Nest Retirement Date Funds	Fund performance one year to 31 March 2024	Annualised fund performance three years to 31 March 2024	Annualised fund performance five years to 31 March 2024	Annualised fund performance ten years to 31 March 2024	Inception
	%	%	%	%	
UK CPI INDEX*	3.2	6.7	4.5	2.9	N/A
Nest 2023 Retirement Fund	9.5	2.6	3.6	5.6	August 2011
Nest 2024 Retirement Fund	9.7	2.9	4.1	6.1	August 2011
Nest 2025 Retirement Fund	10.2	3.3	4.6	6.6	August 2011
Nest 2026 Retirement Fund	10.8	3.6	5.0	7.0	August 2011
Nest 2027 Retirement Fund	11.5	4.0	5.5	7.3	August 2011
Nest 2028 Retirement Fund	12.1	4.4	6.0	7.6	August 2011
Nest 2029 Retirement Fund	12.7	4.8	6.4	7.8	August 2011
Nest 2030 Retirement Fund	13.1	5.1	6.8	8.0	August 2011
Nest 2031 Retirement Fund	13.4	5.4	7.1	8.2	August 2011
Nest 2032 Retirement Fund	13.8	5.6	7.2	8.2	August 2011
Nest 2033 Retirement Fund	14.1	5.7	7.3	8.3	August 2011
Nest 2034 Retirement Fund	14.3	5.7	7.3	8.3	August 2011
Nest 2035 Retirement Fund	14.3	5.7	7.3	8.3	August 2011
Nest 2036 Retirement Fund	14.3	5.7	7.3	8.3	August 2011
Nest 2037 Retirement Fund	14.3	5.7	7.3	8.3	August 2011
Nest 2038 Retirement Fund	14.3	5.7	7.3	8.3	August 2011
Nest 2039 Retirement Fund	14.3	5.7	7.3	8.3	August 2011
Nest 2040 Retirement Fund	14.3	5.7	7.3	8.3	August 2011
Nest 2041 Retirement Fund	14.3	5.7	7.3	8.3	August 2011
Nest 2042 Retirement Fund	14.3	5.7	7.3	8.3	August 2011
Nest 2043 Retirement Fund	14.3	5.7	7.3	8.3	August 2011
Nest 2044 Retirement Fund	14.3	5.7	7.3	8.3	August 2011
Nest 2045 Retirement Fund	14.3	5.7	7.3	8.3	August 2011
Nest 2046 Retirement Fund	14.3	5.7	7.3	8.3	August 2011
Nest 2047 Retirement Fund	14.3	5.7	7.3	8.3	August 2011
Nest 2048 Retirement Fund	14.3	5.7	7.3	8.3	August 2011
Nest 2049 Retirement Fund	14.3	5.7	7.3	8.3	August 2011
Nest 2050 Retirement Fund	14.3	5.7	7.3	8.3	August 2011
Nest 2051 Retirement Fund	14.3	5.7	7.3	8.3	August 2011
Nest 2052 Retirement Fund	14.3	5.7	7.3	8.2	August 2011
Nest 2053 Retirement Fund	14.3	5.7	7.3	8.0	August 2011
Nest 2054 Retirement Fund	14.3	5.7	7.3	7.8	August 2011
Nest 2055 Retirement Fund	14.3	5.7	7.3	7.6	August 2011
Nest 2056 Retirement Fund	14.3	5.7	7.3	7.4	August 2011
Nest 2057 Retirement Fund	14.3	5.7	7.3	7.3	August 2011
Nest 2058 Retirement Fund	14.3	5.7	7.4	7.3	January 2012
Nest 2059 Retirement Fund	14.3	5.7	7.1	7.2	January 2013
Nest 2060 Retirement Fund	14.3	5.7	7.0	7.1	December 2013
Nest 2061 Retirement Fund	14.3	5.4	6.5	-	January 2015
Nest 2062 Retirement Fund	14.2	5.2	6.1	-	January 2016
Nest 2063 Retirement Fund	14.1	4.8	5.9	-	January 2017
Nest 2064 Retirement Fund	13.3	4.6	5.8	-	January 2018
Nest 2065 Retirement Fund	13.1	4.6	5.7	-	December 2018
Nest 2066 Retirement Fund	13.1	4.6	-	-	January 2020
Nest 2067 Retirement Fund	13.1	4.6	-	-	January 2021
Nest 2068 Retirement Fund	13.1	-	-	-	January 2022
Nest 2069 Retirement Fund	13.1	-	-	-	January 2023
Nest 2070 Retirement Fund	-	-	-	-	January 2024
Nest Starter Fund**	12.9	4.5	5.7	6.5	August 2011
Nest Guided Retirement Fund - Later Life Fund	7.9	-1.3	-	-	March 2020
Nest Guided Retirement Fund - Safe Fund	4.9	1.8	-	-	March 2020
Nest Guided Retirement Fund - Vault Fund	11.6	3.5	-	-	March 2020
Nest Guided Retirement Fund - Wallet Fund	4.9	2.2	-	-	March 2020
Nest Post Retirement Date Fund^	5.6	1.8	1.4	1.0	November 2013
Nest Post Retirement Date Fund - series two†	9.4	-	-	-	July 2022

* The overall target for the Nest Retirement Date Funds is to outperform inflation.

** This fund is for individuals between ages of 16 to 22 who have an expected retirement date beyond the range of available Nest Retirement Date Funds.

^ This fund is for those members who have not chosen to withdraw all their savings, under £10,000, when their Nest Retirement Date Fund matures. This fund is now closed to new members and only holds members' pot's which were in the Nest Retirement Date Funds that had matured before July 2022.

† This fund is for those members who have not chosen to withdraw all their savings, under £10,000, when their Nest Retirement Date Fund matures.

Appendix 3

Transaction costs for the year ended 31 March 2024

These transaction costs, which have been calculated in-line with the Policy statement PS20/2 "Publishing and disclosing costs and charges to workplace pension scheme members and amendments to COBS 19.8" issued by the FCA in February 2020, and have been disclosed in accordance with the Chair's governance report on **page 31**.

Fund	Average weighted transaction costs %
Nest 2023 Retirement Fund	0.029
Nest 2024 Retirement Fund	0.033
Nest 2025 Retirement Fund	0.036
Nest 2026 Retirement Fund	0.040
Nest 2027 Retirement Fund	0.043
Nest 2028 Retirement Fund	0.046
Nest 2029 Retirement Fund	0.050
Nest 2030 Retirement Fund	0.053
Nest 2031 Retirement Fund	0.055
Nest 2032 Retirement Fund	0.057
Nest 2033 Retirement Fund	0.057
Nest 2034 Retirement Fund	0.057
Nest 2035 Retirement Fund	0.057
Nest 2036 Retirement Fund	0.057
Nest 2037 Retirement Fund	0.057
Nest 2038 Retirement Fund	0.057
Nest 2039 Retirement Fund	0.057
Nest 2040 Retirement Fund	0.057
Nest 2041 Retirement Fund	0.057
Nest 2042 Retirement Fund	0.057
Nest 2043 Retirement Fund	0.057
Nest 2044 Retirement Fund	0.057
Nest 2045 Retirement Fund	0.057
Nest 2046 Retirement Fund	0.058
Nest 2047 Retirement Fund	0.057
Nest 2048 Retirement Fund	0.057
Nest 2049 Retirement Fund	0.057
Nest 2050 Retirement Fund	0.057
Nest 2051 Retirement Fund	0.057
Nest 2052 Retirement Fund	0.057
Nest 2053 Retirement Fund	0.057
Nest 2054 Retirement Fund	0.058
Nest 2055 Retirement Fund	0.057
Nest 2056 Retirement Fund	0.057
Nest 2057 Retirement Fund	0.058
Nest 2058 Retirement Fund	0.058
Nest 2059 Retirement Fund	0.057
Nest 2060 Retirement Fund	0.056
Nest 2061 Retirement Fund	0.053
Nest 2062 Retirement Fund	0.051
Nest 2063 Retirement Fund	0.048
Nest 2064 Retirement Fund	0.046
Nest 2065 Retirement Fund	0.046
Nest 2066 Retirement Fund	0.041
Nest 2067 Retirement Fund	0.041
Nest 2068 Retirement Fund	0.047
Nest 2069 Retirement Fund	0.059
Nest 2070 Retirement Fund	0.065
Nest Starter Fund	0.048
Nest Guided Retirement Fund – Later Life	0.013
Nest Guided Retirement Fund – Safe	0.008
Nest Guided Retirement Fund – Vault	0.084
Nest Guided Retirement Fund – Wallet	0.016
Nest Post Retirement Date Fund	0.004
Nest Post Retirement Date Fund 2	0.042
Nest Ethical Foundation Fund	0.045
Nest Ethical Growth Fund	0.054
Nest Ethical Consolidation Fund	0.022
Nest Higher Risk Fund	0.069
Nest Lower Growth Fund	0.002
Nest Sharia Fund	0.018

Appendix 4

Fund Asset Allocations

Each Nest Retirement Date Fund has an asset allocation that aims to be consistent with the expected amount of investment risk and return that is appropriate for the age of a member in order to meet the investment objectives of the Nest Retirement Date Funds throughout a members' savings journey. Please see the asset allocation for each fund below, which have been calculated in-line with the statutory guidance issued by the DWP in January 2023.

Asset Allocation per Fund

Fund	Cash	Bonds	Listed Equities	Private Equity	Infra-structure	Property/ Real Estate	Private Debt/ Credit	Other	TOTAL
Nest 2023 Retirement Fund	10.2%	53.4%	25.5%	0.8%	2.8%	4.7%	2.1%	0.5%	100%
Nest 2024 Retirement Fund	10.2%	53.4%	25.5%	0.8%	2.8%	4.7%	2.1%	0.5%	100%
Nest 2025 Retirement Fund	9.3%	48.9%	29.7%	1.0%	3.1%	5.1%	2.3%	0.6%	100%
Nest 2026 Retirement Fund	8.7%	44.4%	33.9%	1.2%	3.3%	5.3%	2.5%	0.7%	100%
Nest 2027 Retirement Fund	7.8%	40.2%	38.2%	1.4%	3.5%	5.5%	2.6%	0.8%	100%
Nest 2028 Retirement Fund	7.0%	35.9%	42.4%	1.6%	3.6%	5.7%	2.8%	1.0%	100%
Nest 2029 Retirement Fund	6.2%	31.6%	46.6%	1.9%	3.8%	5.9%	2.9%	1.1%	100%
Nest 2030 Retirement Fund	5.9%	30.2%	47.7%	1.9%	4.0%	6.2%	3.0%	1.1%	100%
Nest 2031 Retirement Fund	5.5%	28.8%	48.7%	2.0%	4.2%	6.5%	3.1%	1.2%	100%
Nest 2032 Retirement Fund	5.2%	27.3%	49.8%	2.0%	4.5%	6.7%	3.3%	1.2%	100%
Nest 2033 Retirement Fund	4.9%	25.9%	50.8%	2.1%	4.7%	7.0%	3.4%	1.2%	100%
Nest 2034 Retirement Fund	4.5%	24.5%	51.9%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2035 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2036 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2037 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2038 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2039 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2040 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2041 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2042 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2043 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2044 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2045 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2046 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2047 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2048 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2049 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2050 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2051 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2052 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2053 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2054 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2055 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2056 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2057 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2058 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2059 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2060 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2061 Retirement Fund	4.5%	24.3%	52.1%	2.1%	4.9%	7.3%	3.5%	1.3%	100%
Nest 2062 Retirement Fund	4.8%	24.8%	51.5%	2.1%	4.9%	7.2%	3.5%	1.2%	100%
Nest 2063 Retirement Fund	5.2%	26.0%	50.2%	2.1%	4.8%	7.1%	3.4%	1.2%	100%
Nest 2064 Retirement Fund	5.7%	27.1%	48.7%	2.0%	4.8%	7.1%	3.4%	1.2%	100%
Nest 2065 Retirement Fund	5.8%	27.2%	48.5%	2.0%	4.8%	7.1%	3.4%	1.2%	100%
Nest 2066 Retirement Fund	5.8%	27.2%	48.5%	2.0%	4.8%	7.1%	3.4%	1.2%	100%
Nest 2067 Retirement Fund	5.8%	27.2%	48.5%	2.0%	4.8%	7.1%	3.4%	1.2%	100%
Nest 2068 Retirement Fund	5.8%	27.2%	48.5%	2.0%	4.8%	7.1%	3.4%	1.2%	100%
Nest 2069 Retirement Fund	5.8%	27.2%	48.5%	2.0%	4.8%	7.1%	3.4%	1.2%	100%
Nest 2070 Retirement Fund	5.8%	27.2%	48.5%	2.0%	4.8%	7.1%	3.4%	1.2%	100%
Nest Starter Fund	5.8%	27.2%	48.5%	2.0%	4.8%	7.1%	3.4%	1.2%	100%
Nest Guided Retirement Fund – Later Life Fund	–	100.0%	–	–	–	–	–	–	100%
Nest Guided Retirement Fund – Safe Fund	100.0%	–	–	–	–	–	–	–	100%
Nest Guided Retirement Fund – Vault Fund	5.0%	65.0%	20.0%	–	–	10.0%	–	–	100%
Nest Guided Retirement Fund – Wallet Fund	100.0%	–	–	–	–	–	–	–	100%
Nest Post Retirement Date Fund	25.0%	75.0%	–	–	–	–	–	–	100%
Nest Post Retirement Date Fund 2	10.2%	53.4%	25.5%	0.8%	2.8%	4.7%	2.1%	0.5%	100%
Nest Ethical Foundation Fund	8.7%	35.0%	40.1%	–	6.2%	10.0%	–	–	100%
Nest Ethical Growth Fund	1.2%	22.2%	60.8%	–	6.1%	9.7%	–	–	100%
Nest Ethical Consolidation Fund	15.0%	64.9%	20.1%	–	–	–	–	–	100%
Nest Higher Risk Fund	–	15.0%	70.0%	–	–	11.5%	–	3.5%	100%
Nest Lower Growth Fund	–	100.0%	–	–	–	–	–	–	100%
Nest Sharia Fund	–	–	100.0%	–	–	–	–	–	100%

Appendix 5

Nest's costs and charges

Projected pension pot in today's money for a member who starts saving with Nest at age 22

The table below shows the costs and charges that you might pay with Nest. We've provided four different age profiles to demonstrate how much of your pot will be affected by our costs and charges. Your own circumstances may differ. The calculations are based on the following assumptions: a real income of £22,000 (based on an illustrative member), real qualifying earnings of £15,760 that reflect a pattern of earnings in line with ONS data and Nest Scheme data.

All calculations are in real terms and are based on the assumption that no withdrawals are made. We've used Nest's Statutory Money Purchase Illustration (SMPI) assumptions* for investment growth, which are based on the monthly investment returns of your fund over the previous five years. The two sets of return figures are: gross of costs and charges; and net of costs and charges. We first deduct transaction costs** from the projected investment returns, and then deduct the annual management charge (AMC) from these adjusted returns to create the figure net of costs and charges. The contribution charge is applied to all contributions before this calculation.

Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.

	Retirement Date Fund		Ethical Fund		Higher Risk Fund (non lifestyled)	
Years saving	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges
1	1,271	1,246	1,271	1,246	1,284	1,259
3	3,869	3,781	3,869	3,780	3,986	3,895
5	6,753	6,580	6,776	6,602	7,086	6,906
10	15,681	15,184	15,835	15,332	16,428	15,902
15	26,767	25,764	26,949	25,938	27,646	26,586
20	39,793	38,079	40,008	38,281	40,823	39,012
25	55,138	52,471	55,389	52,705	56,338	53,524
30	73,082	69,182	73,377	69,455	74,475	70,364
35	93,884	88,431	94,230	88,747	95,492	89,748
40	115,723	108,381	116,122	108,753	119,663	111,904
45	134,153	124,716	134,592	125,106	147,385	137,177

	Higher Risk Fund (lifestyled)		Sharia Fund		Lower Growth Fund	
Years saving	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges
1	1,284	1,259	1,284	1,259	1,257	1,233
3	3,986	3,895	3,986	3,898	3,754	3,669
5	7,086	6,906	7,087	6,914	6,434	6,270
10	16,428	15,902	16,432	15,939	13,581	13,138
15	27,647	26,602	27,661	26,683	20,740	19,912
20	40,829	39,056	40,863	39,208	27,710	26,398
25	56,355	53,609	56,423	53,868	34,544	32,653
30	74,512	70,511	74,636	70,920	41,152	38,592
35	95,561	89,981	95,772	90,599	47,386	44,075
40	117,653	110,154	120,122	113,150	53,073	48,941
45	136,276	126,650	148,101	138,945	58,136	53,126

* SMPI is our current prediction of how much your fund will be worth when you retire. We've calculated this without inflation and in current monetary terms. Our assumptions for working this out can be found on **page 97**.

** The transaction cost data for our current asset allocation includes both explicit and implicit costs where applicable. These transaction costs are provided to us by our fund managers and are the latest figures, from 31 March 2024.

Projected pension pot in today's money for a member who starts saving with Nest at age 45

The table below shows the costs and charges that you might pay with Nest. We've provided four different age profiles to demonstrate how much of your pot will be affected by our costs and charges. Your own circumstances may differ. The calculations are based on the following assumptions: a real income of £25,200 (based on an illustrative member), real qualifying earnings of £18,960 that reflect a pattern of earnings in line with ONS data and Nest Scheme data.

All calculations are in real terms and are based on the assumption that no withdrawals are made. We've used Nest's Statutory Money Purchase Illustration (SMPI) assumptions* for investment growth, which are based on the monthly investment returns of your fund over the previous five years. The two sets of return figures are: gross of costs and charges; and net of costs and charges. We first deduct transaction costs** from the projected investment returns, and then deduct the annual management charge (AMC) from these adjusted returns to create the figure net of costs and charges. The contribution charge is applied to all contributions before this calculation.

Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.

	Retirement Date Fund		Ethical Fund		Higher Risk Fund (non lifestyled)	
Years saving	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges
1	1,545	1,515	1,545	1,515	1,545	1,514
3	4,778	4,671	4,778	4,671	4,778	4,670
5	8,236	8,028	8,236	8,028	8,236	8,025
10	17,784	17,216	17,784	17,216	17,783	17,203
15	28,384	27,288	28,384	27,290	28,681	27,554
20	38,475	36,711	38,475	36,711	40,871	39,003
21	40,378	38,467	40,379	38,465	43,526	41,484
22	42,234	40,171	42,234	40,166	46,267	44,042

	Higher Risk Fund (lifestyled)		Sharia Fund		Lower Growth Fund	
Years saving	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges
1	1,545	1,515	1,545	1,515	1,513	1,483
3	4,778	4,671	4,779	4,674	4,500	4,398
5s	8,236	8,028	8,236	8,035	7,459	7,267
10	17,784	17,216	17,788	17,246	14,573	14,087
15	28,384	27,288	28,698	27,660	21,195	20,323
20	38,475	36,711	40,914	39,210	27,086	25,752
21	40,378	38,467	43,576	41,716	28,223	26,787
22	42,234	40,171	46,326	44,302	29,355	27,814

* SMPI is our current prediction of how much your fund will be worth when you retire. We've calculated this without inflation and in current monetary terms. Our assumptions for working this out can be found on **page 97**.

** The transaction cost data for our current asset allocation includes both explicit and implicit costs where applicable. These transaction costs are provided to us by our fund managers and are the latest figures, from 31 March 2024.

Projected pension pot in today's money for a member who starts saving with Nest at age 55

The table below shows the costs and charges that you might pay with Nest. We've provided four different age profiles to demonstrate how much of your pot will be affected by our costs and charges. Your own circumstances may differ. The calculations are based on the following assumptions: a real income of £24,600 (based on an illustrative member), real qualifying earnings of £18,360 that reflect a pattern of earnings in line with ONS data and Nest Scheme data.

All calculations are in real terms and are based on the assumption that no withdrawals are made. We've used Nest's Statutory Money Purchase Illustration (SMPI) assumptions* for investment growth, which are based on the monthly investment returns of your fund over the previous five years. The two sets of return figures are: gross of costs and charges; and net of costs and charges. We first deduct transaction costs** from the projected investment returns, and then deduct the annual management charge (AMC) from these adjusted returns to create the figure net of costs and charges. The contribution charge is applied to all contributions before this calculation.

Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.

	Retirement Date Fund		Ethical Fund		Higher Risk Fund (non lifestyled)	
Years saving	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges
1	1,496	1,467	1,496	1,467	1,496	1,467
3	4,487	4,386	4,487	4,386	4,494	4,392
5	7,631	7,437	7,631	7,438	7,700	7,502
10	15,351	14,849	15,351	14,848	16,162	15,630
11	16,884	16,306	16,884	16,305	18,000	17,384
12	18,407	17,751	18,407	17,749	19,900	19,192

	Higher Risk Fund (lifestyled)		Sharia Fund		Lower Growth Fund	
Years saving	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges
1	1,496	1,467	1,496	1,467	1,465	1,436
3	4,487	4,386	4,494	4,395	4,230	4,134
5	7,631	7,437	7,700	7,512	6,968	6,789
10	15,351	14,849	16,166	15,670	13,192	12,748
11	16,884	16,306	18,006	17,432	14,394	13,887
12	18,407	17,751	19,907	19,250	15,590	15,017

* SMPI is our current prediction of how much your fund will be worth when you retire. We've calculated this without inflation and in current monetary terms. Our assumptions for working this out can be found on **page 97**.

** The transaction cost data for our current asset allocation includes both explicit and implicit costs where applicable. These transaction costs are provided to us by our fund managers and are the latest figures, from 31 March 2024.

Projected pension pot in today's money for a member who joins Nest Guided Retirement Fund at age 60

The Nest Guided Retirement Fund (NGRF) is a retirement product for members aged 60 and over who meet the qualifying pot size. The table below shows the costs and charges that you might pay with Nest. We've provided six different starting pot amounts to demonstrate how much of your pot will be affected by our costs and charges. Your own circumstances may differ. The calculations are based on the following assumptions: a real income of £23,700 (based on an illustrative member), real qualifying earnings of £17,460 that reflect a pattern of earnings in line with ONS data and Nest Scheme data.

All calculations are in real terms and are based on the assumption that no withdrawals are made. We've used Nest's Statutory Money Purchase Illustration (SMPI) assumptions* for investment growth, which are based on the monthly investment returns of your fund over the previous five years. The two sets of return figures are: gross of costs and charges; and net of costs and charges. We first deduct transaction costs** from the projected investment returns, and then deduct the annual management charge (AMC) from these adjusted returns to create the figure net of costs and charges. The contribution charge is applied to all contributions before this calculation.

Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.

	NGRF – £10,000		NGRF – £15,000		NGRF – £20,000	
Years saving	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges
1	11,558	11,494	16,633	16,551	21,707	21,608
3	14,480	14,280	19,708	19,453	24,935	24,626
5	17,487	17,129	22,870	22,421	28,253	27,713
6	19,023	18,579	24,485	23,931	29,947	29,283
7	20,580	20,044	26,122	25,458	31,665	30,871
8	22,159	21,527	27,782	27,002	33,406	32,477

	NGRF – £25,000		NGRF – £30,000		NGRF – £35,000	
Years saving	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges	Before costs and charges	After costs and charges
1	26,782	26,666	31,857	31,723	36,932	36,780
3	30,162	29,799	35,389	34,973	40,616	40,146
5	33,636	33,005	39,019	38,297	44,402	43,589
6	35,409	34,636	40,872	39,988	46,334	45,341
7	37,207	36,285	42,749	41,698	48,292	47,112
8	39,029	37,953	44,653	43,428	50,276	48,903

* SMPI is our current prediction of how much your fund will be worth when you retire. We've calculated this without inflation and in current monetary terms. Our assumptions for working this out can be found on **page 97**.

** The transaction cost data for our current asset allocation includes both explicit and implicit costs where applicable. These transaction costs are provided to us by our fund managers and are the latest figures, from 31 March 2024.

Statutory money purchase illustration (SMPI) investment growth assumptions

Fund name	Phase	Nest investment objective	SMPI investment growth rate
Default investment strategy			
Nest Retirement Date Funds	Foundation	To deliver investment growth after inflation and charges are taken into account	4% for 5 years followed by an increase to 6% over 3 years
	Growth	CPI plus 3% per year, after all charges	6%
	Consolidation	Linear decrease over 10 years from CPI plus 1.5% to CPI plus 0%, after all charges	Linear decrease over 10 years from 6% to 4%
Nest Guided Retirement Fund – Vault	Retirement income	CPI plus 0% per year, after all charges	4%
Post Retirement Date Fund – Series 2	Retirement income	CPI plus 0% per year, after all charges	4%
Additional investment fund choices			
Nest Ethical Fund	Foundation	CPI plus 0% per year, after all charges	4% for 3 years followed by an increase to 6% over 5 years
	Growth	CPI plus 3% per year, after all charges	6%
	Consolidation	CPI plus 0% per year, after all charges	Linear decrease over 10 years from 6% to 4%
Nest Higher Risk Fund Note: For non-lifestyled version of the Nest Higher Risk Fund, the consolidation phase is not applicable	Growth	To target higher returns (0.5% higher than the growth phase of the Nest Retirement Date Funds) through taking more risk	6%
	Consolidation	Linear decrease over 10 years from CPI plus 1.5% to CPI plus 0%, after all charges	Linear decrease over 10 years from 6% to 4%
Nest Sharia Fund	N/A	To deliver investment growth after inflation and charges are taken into account by investing in shares selected on criteria based on Islamic law	6%
Nest Lower Growth Fund	N/A	To maintain the nominal value of your savings after all charges.	2%

Appendix 6

The 'Statement of investment principles' (SIP) printed here is the latest version, which is available online at **nestpensions.org.uk/schemeweb/nest/nestcorporation/investment-approach/investment-principles.html** or by request using the contact information on **page 80**.

Nest's Statement of investment principles (SIP) 2023 to 2026

1. Introduction

1.1. The Trustee of the National Employment Savings Trust (Nest) has produced this Statement of investment principles (SIP), which sets out how the Trustee invests the assets of Nest for the scheme's default investment strategy and the additional investment fund choices scheme members can make.

1.2. This SIP has been prepared in accordance with all relevant legislative and best-practice guidelines. It outlines the principles and policies governing investment decisions made by or on behalf of the Trustee for the management of Nest's assets, in respect of the default arrangement and the additional investment fund choices scheme members can make. It should be read in conjunction with our latest **quarterly investment report**.

1.3. This SIP will be reviewed by the Trustee, the Members' Panel and Employers' Panel every three years, and without delay after any significant change in the investment approach or the demographics of the scheme.

1.4. Before revising this SIP, the Trustee will obtain and consider the written advice of a person who is reasonably believed by the Trustee to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of trust-based pension schemes. The Trustee will also consult with the Members' Panel and Employers' Panel on proposed revisions to the default investment strategy and additional investment fund choices scheme members can make before any SIP revisions.

2. Governance of the Nest Trustee

2.1. **Investment powers and compliance with the Pensions Act 1995**

The Nest Order 2010 gives the Trustee the sole power to invest the assets of Nest.

2.2. Nest's assets, representing the balances on members' pension accounts, will be invested in the best interests of Nest's members and beneficiaries both for the default strategy and for any other investment choices members may make. In the event of a potential conflict of interest the assets will be invested in the sole interest of members and beneficiaries.

2.3. The Trustee's policy for securing that assets are invested in members' best interests is determined following extensive and continuing research into scheme member characteristics, circumstances and attitudes. This research is a mixture of quantitative data on the socio-economic characteristics of the scheme's membership, qualitative research into members' attitudes and aspirations for their retirement savings, and scheme management information about our members' savings patterns and behaviour.

2.4. Where significant changes to the scheme membership are detected the Trustee reviews the appropriateness of the default strategy and additional investment fund choices accordingly. Details of our member **investment research** can be found on our website.

2.5. With the Trustee's understanding of members' best interests, it has decided upon an investment approach that provides:

- a default fund (through a series of **Nest Retirement Date funds**) designed to provide appropriate outcomes for members retiring in different years
- a choice of **other investment funds** for scheme members who do not wish to invest in the default fund.

2.6. Nest Corporation as Trustee is responsible for the governance and investment of Nest's assets but may delegate certain powers to appropriate committees, Board members, employees and investment fund managers. Nest Corporation has established a Financial Conduct Authority (FCA) authorised and regulated investment subsidiary, Nest Invest, to provide investment services and advice, as set out in an Investment Management Agreement between the Trustee and Nest Invest.

2.7. The Trustee is satisfied due to regular reporting, Trustee skills' audits, ongoing training and continuous professional development, that it, the respective committees and Nest Invest, have sufficient expertise, information and resources to carry out their roles effectively.

2.8. In preparing this SIP for both the default arrangement and the additional investment fund choices scheme members can make, the Trustee has considered written advice from the Chief Investment Officer (CIO) of Nest Invest who is qualified to provide this advice by their ability and practical experience of financial and pension scheme matters.

2.9. The Trustee has established an investment committee to consider, make decisions and provide oversight on investment issues. The delegated powers provided by the Trustee to the investment committee comprise of both issues on which the committee can make decisions, and issues on which it makes recommendations to the Trustee. The **terms of reference** can be found on our website.

2.10. The Trustee has delegated certain powers in relation to investment decisions and oversight to the investment committee. These include the asset allocation strategy, fund manager selection and responsible investment, as well as the monitoring of investment performance and risk.

Nest Invest is also delegated responsibility via the Investment Management Agreement to ensure and report to the investment committee that its investment powers are exercised in a manner calculated to ensure security, quality, liquidity, and profitability.

2.11. The following sections, except where explicitly referenced, set out the Trustee's policies in relation to the types of investment, the balance between such investments, the associated risks and the expected return on those investments in the context of both the default arrangement, and the other investment fund choices our scheme members may make.

3. Day-to-day management of Nest's assets
(default and non-default)

3.1. The day-to-day management of Nest's assets is performed by external professional fund managers and from time to time, Nest Invest. The investment committee are satisfied that the appointed fund managers and Nest Invest have sufficient expertise and experience to carry out their role.

3.2. Fund managers are monitored on a regular basis and performance is reported to the investment committee quarterly. The appointment, and dismissal of fund managers is the ultimate responsibility of the investment committee, based on recommendations from Nest Invest. The monitoring of fund managers is the responsibility of Nest Invest with oversight by the investment committee.

3.3. Fund managers' activities are defined and constrained by detailed agreements. They have discretion to buy and sell investments within the terms of these agreements. Fees are negotiated individually when a fund manager is appointed and are reviewed periodically to provide ongoing value for money for members.

3.4. Fund managers are listed in the **scheme's annual report and accounts**, which also contains information about investment performance, asset allocation and major investment decisions taken during the year.

3.5. The fund managers are selected through an open and transparent process. The process aims to achieve best value for money for members.

3.6. Professional advice from either Nest Invest or the Trustee's external FCA-authorised and regulated investment advisers is obtained and considered in the selection of these funds and fund managers. As part of this selection, a due diligence process is performed to ensure that the assets are invested with sufficient security and liquidity and that each of the fund managers is of the appropriate calibre to ensure the quality and profitability of the assets. The ongoing monitoring of funds and fund managers is delegated to Nest Invest, to ensure all investments are undertaken in accordance with the Trustee's powers of investment.

4. Policy in relation to the Trustee's arrangement with existing asset managers
(default and non-default)

4.1. Nest's approach to constructing its investment strategy is to use a 'fund – of-funds' building block model. Nest works with multiple fund managers with multiple mandates for different asset classes. Nest is not reliant on any one fund manager to deliver the investment objectives of the default strategy or in most cases the fund choices that members can make.

4.2. Each manager is procured through an open competition, to find the most suitable fund manager for each asset class. A thorough procurement process and regular ongoing monitoring ensures that each fund manager is fully aware of Nest's particular objectives for any given asset class in order to enable it to align its investment approach with that of Nest and to ensure each manager is appropriately incentivised.

4.3. Nest shares a summary of its policies and expectations on issues such as responsible investment; (including Nest's approach to managing climate change risks) engagement and voting; divestment; unit pricing and fair value; securities lending and the use of derivatives, with fund managers as part of the procurement process and where relevant provides to managers updates to these when relevant.

4.4. As part of our procurement process Nest sets out the detail of our responsible investment policies and expectations, and prospective managers are evaluated on their approach to being long-term and responsible stewards of the assets they manage on behalf of Nest members where relevant. Nest shares with our managers this SIP, within which we set out investment beliefs about the importance of making decisions with a long-term mindset.

4.5. Nest Invest conducts regular manager monitoring and meets with each of the managers at least once a year, and more frequently for active managers. Manager performance is reported to the investment committee on a quarterly basis. As part of our regular evaluation of our managers to ensure they are delivering in line with the objectives for which they were appointed, we monitor fees and charges in the context of our ongoing market evaluation of the price of fund management services.

4.6. Our contractual relations with fund managers are open ended (subject to termination provisions which are negotiated as part of the appointment terms) as we believe in building long-term partnerships with fund managers. Where managers are no longer delivering on the objectives for which they were appointed, we will move assets to an alternative manager, or re-procure for that particular asset class – there are no contractual impediments to doing this.

4.7. Nest Invest monitors the costs of portfolio turnover as part of its regular fund manager monitoring. When selecting a new fund manager or new asset class Nest Invest makes an assessment as to our expectations of turnover range for any given asset class or manager style. Where relevant for a particular asset class or manager style, as part of our regular manager review, we monitor levels of turnover to ensure they remain in line with our expectations for that particular mandate.

4.8. Nest requires its fund managers to vote on all resolutions of shares managed on behalf of Nest members – this includes voting and engaging on a company's capital structure. Where there is a potential for any conflict of interest between a fund manager and the way they vote, we expect these conflicts to be managed in accordance with the Financial Reporting Council's (FRC) stewardship code.

4.9. As part of Nest's policy on responsible investing, Nest and Nest's fund managers collaborate with other institutional investors and asset managers. Nest is a signatory to the FRC's stewardship code and other relevant shareholder initiatives. We report engagements undertaken with our fund managers and other stakeholders in our annual responsible investment report.

5. Types of assets held
(default and non-default)

5.1. The Trustee invests in a mix of financial assets through a variety of legal structures and investment vehicles, deemed suitable for pension schemes, balancing expected returns against investment risk. The investment committee regularly monitors Nest's funds to ensure that:

- they invest primarily in regulated markets
- investment in non-regulated markets is kept to a prudent level
- derivatives are used in a prudent and appropriate way to manage risk or manage the portfolio more efficiently, and without excessive risk exposure to a single counterparty or other derivatives.

5.2. The Trustee carries out due diligence and takes advice from Nest Invest and may also take advice from its external investment advisers to ensure new areas of investment are appropriate.

5.3. The investment committee has approved a set of asset classes and constraints within which investments can be made. Any proposal to amend these constraints must be agreed in advance with the investment committee and the relevant schedules of the Investment Management Agreement updated accordingly.

5.4. The detail of the current asset allocation for the scheme's default investment strategy and the additional investment fund choices scheme members can make, is published via the **quarterly investment report** on the Nest website.

6. The balance between different types of investments
(default and non-default)

6.1. Long-term strategic asset allocation is driven by the specific characteristics of the scheme, in particular its demography, and members' capacity and appetite for risk. The Trustee also considers long-term projections of the likely performance of different types of investments in different economic conditions.

6.2. The scheme's strategic asset allocation is reviewed on an annual basis. The methodology for changing the strategic asset allocation is periodically revisited to ensure that changes to the strategic asset allocation are appropriate.

6.3. The investment committee is responsible for ensuring both the default strategy and the additional investment fund choices scheme members can make are, as far as practicable, sufficiently diversified so as not to be reliant on any particular asset class, issuer or group of undertakings. The investment committee is responsible for ensuring that investments in assets issued by the same issuer or by issuers belonging to the same group do not expose Nest members to excessive concentration of risk.

7. Liquidity
(default and non-default)

7.1. The liquidity profile of Nest's investments is regularly reviewed by Nest Invest.

The majority of the scheme is invested in liquid assets and the investment committee reviews what proportion of the portfolio should be in illiquid assets for members at different stages of their investing lifecycle. Some investments, such as property and other assets not listed, are less easy to sell. Such illiquidity normally allows the Trustee to capture an improved return and is not expected to constrain its investment decisions.

8. Risk
(default and non-default)

8.1. The Trustee recognises that the scheme is exposed to a number of investment and operational risks. It gives qualitative and quantitative consideration to these risks when deciding investment policy, strategic asset allocation, the fund manager structure, choice of fund managers, the terms of their agreements and other aspects of the ongoing management of the scheme.

8.2. The scheme maintains a risk register of the key risks, including investment risks, to which it is exposed. The register rates the impact and likelihood of the risks, and summarises existing mitigations and additional actions. It is reviewed quarterly by the investment committee. Further details on the types of risks identified are shown in Annex 1.

9. Expected return on investments (default and non-default)

9.1. The types of investment chosen by the Trustee are selected and combined with the aim to achieve the specific objectives of the default strategy and the additional investment fund choices scheme members can make.

The Trustee seeks to take account of financially material considerations in the selection, retention and realisation of investments. The key inputs in setting the investment strategy are the long-term capital market assumptions of expected return and expected investment risk. These capital market assumptions incorporate long-term forecasts of the key drivers of risk and return including economic growth, inflation and asset values.

Nest Invest reports to the investment committee on a quarterly basis the risk and return characteristics of the Retirement Date Funds and additional investment fund choices, and how each fund manager is delivering against their specific mandates.

9.2. Risks and opportunities are assessed for materiality and impact within a broader risk management framework, which takes account of the Trustee's investment time horizon for a diverse member demographic. While our focus is predominantly long-term, as is appropriate for a pension scheme, the risk management framework allows us to consider a variety of risks including the short – to-medium-term outlook for economic growth and inflation as well as currency, interest rate, environmental, social & governance and political risk.

10. Realisation of investments (default and non-default)

10.1. The Trustee will realise assets following member requests on retirement or earlier where required. In selecting assets, the Trustee considers the liquidity of the investments in the context of the likely needs of members.

11. Investment beliefs (default and non-default)

11.1. The Trustee has established a set of investment beliefs to provide an objective and transparent framework for consistent decision-making. These beliefs act as a guide to enable effective delivery of all investment functions. The beliefs can be found in Annex 2.

12. Investment aims and objectives for the default strategy

12.1. The Trustee's overarching investment objective for the default strategy is:

Delivering the best retirement income for as many as possible

The Trustee has selected types of investments and adjusts the balance between these investments to meet this overarching objective.

12.2. To support this overarching objective the Trustee has also agreed the following sub-objectives which aim to:

- 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.

The Trustee recognises that there will at times be tensions between these supporting objectives and will seek to find an appropriate balance between them.

13. Delivering the investment objective for the default strategy

13.1. The Nest scheme and its default investment approach have been designed to ensure that scheme members who do not wish to take an active role in how their contributions are invested can do so in confidence. The availability of a well-constructed default strategy is an essential part of automatic enrolment and is central to Nest's investment approach.

13.2. Investment risk should be taken in varying amounts throughout a member's time saving with Nest. The Trustee has therefore adopted a series of target date funds called the **Nest Retirement Date Funds** to deliver the default investment strategy. Each Nest Retirement Date Fund has an asset allocation that aims to be consistent with the expected amount of risk that is appropriate for the age of a member in order to meet the investment objectives of the Nest Retirement Date Funds throughout a members' savings journey.

14. The default strategy portfolio building blocks

14.1. The Trustee uses five portfolio building blocks in different proportions for each of the Nest Retirement Date Funds. The building blocks are:

- Growth
- Illiquid Capital preservation
- Income
- Liquid Capital preservation
- Longevity risk management.

14.2. By varying allocations between return-seeking capital preservation and income-seeking assets, as well as varying the allocation to liquid and illiquid assets, through time, the Trustee aims to best meet members' different needs throughout their savings journey. These building blocks allow for the construction of four broad phases in a member journey depending on their age:

- the foundation phase
- the growth phase
- the consolidation phase
- the post-retirement phase.

14.3. The foundation phase refers to the early years of younger scheme members' working lives as they develop the savings habit. This phase typically last two to five years. The objective for the foundation phase is to give younger members confidence in saving for the long term by aiming to grow their pots by more than inflation (CPI), whilst reducing the impact of short-term volatility. This phase allows for investment in a relatively high proportion of illiquid assets, reflecting younger members' longer investment horizon.

14.4. The growth phase is where the maximum growth in assets is being targeted through investing in asset classes that are expected to grow in value relative to inflation more than other investments. This phase has a proportion of illiquid capital preservation assets that gradually decrease as a member gets closer to needing a retirement income. The objective for this phase is to outperform inflation by 3 per cent a year after all charges over the long term.

14.5. The consolidation phase prepares a scheme member's assets for taking an income in retirement and typically begins ten years before their Nest Retirement Date Fund matures. Investments in this phase are progressively switched out of growth and illiquid capital preservation portfolios, into a mixture of liquid capital preservation, income, and longevity risk management building blocks. The objective of the consolidation phase is to provide a smooth transition from the growth phase into assets that better meet members' needs of an income in retirement. The retirement income phase is for those members who have not chosen to withdraw all their savings when their Nest Retirement Date Fund matures and closes.

14.6. Those members who are aged between 60 and 70 and whose pot sizes are £10,000 or more, are automatically moved to the **Nest Guided Retirement Fund**. This is an investment strategy designed to provide a retirement income. It consists of four sub-funds – each of which has a specific purpose to meet members' needs throughout the retirement income phase. Members will have different allocations in each of the sub-funds depending on their age. As they get older and progress through the strategy they will be gradually de-risked from a sub-fund which has an objective of outperforming CPI after all charges, to a sub-fund that is predominantly invested in liquid capital preservation assets and assets that help manage longevity risk.

Nest manages and invests the members' overall pot with the aim of providing them with regular, sustainable, and predictable withdrawals until age 85. The remaining pot can then be used to purchase a lifetime income from age 85 if the member wishes.

14.7. Those members whose pot sizes are below £10,000 are automatically moved into the Nest Post Retirement Date Funds. These funds invest in asset classes with high liquidity and lower volatility in order to reduce the pension conversion risk associated with converting a member's accumulated savings into one, or several, cash lump sums relatively quickly.

15. Responsible investing (default and non-default)

15.1. The Trustee considers sustainable investment factors, such as (but not limited to) those arising from environmental, social and governance (ESG) considerations, including climate change, in the context of our broader risk management framework.

15.2. The Trustee requires its fund managers, where appropriate, to have integrated ESG factors as part of their investment analysis and decision-making process. Fund managers are monitored on a regular basis by Nest Invest in this regard. On a regular basis the investment committee receives reports on the fund managers' voting performance and approach to responsible investing more generally.

15.3. The Trustee expects fund managers, to have integrated climate risk into their risk analysis and investment process and, will take it into account in the selection of new fund managers. When monitoring the performance of our fund managers, we will also regularly consider how they are performing with reference to climate risk issues.

15.4. We set out our objectives for managing climate change risk within our climate change risk policy. Our ambition is to align our whole investment portfolio with limiting global warming to 1.5C above preindustrial levels by reaching net zero carbon emissions by 2050 or earlier. We report annually on our progress towards meeting our targets using the Task Force on Climate Change-related Financial Disclosures (TCFD) reporting framework.

15.5. The Trustee has an active policy of soliciting members' views on non-financial matters in its investment decision making for one of the non – default investment funds – the **Nest Ethical Fund** choice strategy. These views are taken into account in the selection, retention and realisation of investments in the Nest Ethical Fund. The Trustee does not currently take into account members' views on non-financial matters in the selection, retention and realisation of investments for the other additional investment fund choices.

15.6. The Trustee does not currently take into account members' views on non-financial matters in the selection, retention and realisation of investments for the default investment strategy (the Nest Retirement Date Funds), as it has provided additional investment fund choices where members' views on non-financial matters can be sought and expressed.

15.7. The Trustee surveys members about its responsible investment approach in general and provides to members and stakeholders an **annual report** on its responsible investment activities.

16. Responsible investing – stewardship (default and non-default)

16.1. The Trustee has a duty to act responsibly with regards to the assets it owns on behalf of Nest members. The Trustee believes that in order to fulfil this duty and to protect and enhance the value of Nest's investments over the long term, it must act as a responsible and vigilant asset owner and market participant.

16.2. As part of this duty the Trustee, or its agents on its behalf, exercises its ownership rights, including voting and engagement with investee companies on matters including performance, strategy, risks, social and environmental impact and corporate governance in order to safeguard sustainable returns in the long term. How the Trustee expects its voting and engagement rights to be exercised is set out in a Nest specific **voting and engagement policy**.

16.3. Nest takes its responsibilities as an asset owner seriously. As clients, we work closely with our fund managers to help us support good corporate behaviour. Part of our procurement process for choosing fund managers involves ensuring their voting policies are well thought out and documented. Having our own policy enables Nest to document our position and expectations to our fund managers on good corporate behaviour. We use it to monitor and hold our fund managers to account on the decisions they make. Having our own established policy in place helps us have healthy discussion and debate with our fund managers.

16.4. Where we have direct voting rights we work closely with our proxy voting agent to ensure Nest's voting intentions are delivered in line with Nest's voting policy.

16.5. Each year we publish a voting summary report setting out how all our fund managers have voted and how this compares to Nest's voting policy. We report the votes our fund managers make every quarter.

16.6. In addition to engaging directly with companies, Nest also undertakes joint engagements with our fund managers, and other pension schemes. Nest works to engage with public, industry and regulatory bodies in the various markets in which the scheme invests to promote better practices.

16.7. Given the systemic nature of climate change, we seek to discharge our duties by robust engagement alongside our fund managers with investee companies to encourage alignment with a low carbon economy and with policy-makers and governments to advocate for the same.

16.8. The Trustee reports to its members and stakeholders on its stewardship activities through its annual **responsible investment report**.

17. Policy on divestment

17.1. In general, divestment or exclusion goes against our principles of stewardship and responsible investment. However, in certain rare circumstances we believe it's merited for the reasons set out in our divestment policy.

Further detail of our **divestment policy** and how it is implemented can be found on our website.

17.2. Nest supports internationally recognised norms of corporate practice. As such we actively seek to avoid investing in companies such as those directly involved in the production or sale of cluster weapons, anti-personnel landmines or chemical and biological weapons.

18. Additional investment fund strategy choices

18.1. Some members may wish to choose an alternative to the default strategy. The Trustee provides a focused choice to meet the identified member needs. The fund choice strategies currently include:

Nest Higher Risk Fund

Invests in return-seeking assets

Nest Lower Growth Fund

Invests in very low volatility assets

Nest Ethical Fund

Invests primarily in ethical securities and ethical property

Nest Sharia Fund

A fund with an investment approach based on Islamic law

Nest Guided Retirement Fund

A fund designed for members who:

- are aged between 60 and 70;
- have at least £10,000 in their retirement pot; and
- want to start taking money from their Nest pot in retirement while still being invested in a proportion of growth seeking assets.

Nest members who are in the default strategy (Nest Retirement Date Funds) and have passed their Intended Retirement Date (IRD) without making a retirement choice, and meet the age and amount criteria, will be automatically moved into this fund.

18.2. The Trustee may add, change or remove any fund choice strategies in accordance with the terms set out in Nest's **Order and Rules**.

18.3. The Trustee endeavours that, for members who choose an alternative fund choice strategy, the risk being taken in the fund also takes into account the expected retirement age of the member, where this is applicable and practicable.

19. Compliance with this SIP

19.1. The investment committee monitors compliance with this SIP on a quarterly basis. The Trustee reviews the investment strategy to ensure it remains in line with the SIP on an annual basis and receives a written report from Nest Invest to this effect.

The Trustee publishes a SIP implementation statement each year reporting on how they have followed, reviewed and, where relevant, changed the SIP during the scheme year.

SIP Annex 1

Risks

As part of our risk management process, we have several executive committees which review and manage specific types of investment risk: illiquidity committee, manager monitoring committee, investment services procurement committee.

In addition, we have an executive investment risk committee that meets quarterly to oversee investment risk management activities across the investment process. The committee makes decisions on risk mitigation measures or resolutions, proposals for changes to existing risk limits, targets, or the risk management process itself. The following non-exhaustive list sets out some of the key investment risks our members face, and our approach to managing them.

Inflation risk

Nest invests in a diversified range of assets which are likely to grow in real terms over the long term. We pay particular attention to the challenges of UK inflation and seek opportunities to invest in assets that help manage UK inflation risk, such as property and infrastructure.

Market risk

We aim to follow best-in-class industry practices to measure, manage and monitor investment market risk, and ensure that the investment risk taken is appropriate to each of our portfolios and their expected return and income objectives. We knowingly take on investment risk, assess the consequences of member needs, and continually re-evaluate market conditions.

Counterparty risk

Nest manages its counterparty risk through a rigorous approach to the procurement and ongoing monitoring of investment services, regular monitoring of Nest's funds, regular reports of the funds' underlying holdings and our fund managers' approach to managing counterparty risk.

Credit risk

For relevant asset classes Nest and those it delegates to, carefully monitors credit risk where there is a risk of corporate default. In addition, Nest has indemnities in place with fund managers for certain activities.

Operational risk

Nest, with its suppliers, assesses and manages its operational risks through the receipt of frequent reports, and has clear key risk indicators for both internal and external activities. Nest receives regular audit reports on both internal and external operations. Nest regularly reviews both external contracts and internal systems, to ensure we understand the operational risks we face and where we should mitigate, accept, or remove the operational risk.

Liquidity risk

We carefully monitor the overall proportion of illiquid assets at different stages of our members' investment lifecycle and report regularly to the investment committee on the illiquidity risks we are taking, with a focus on private market investments, including infrastructure, private credit, private equity and property. We pay close attention to our current and projected cash flows to ensure there is sufficient liquidity to meet unexpected demands for cash (i.e., through unforeseen member or market activity), whilst ensuring we expose our members to the opportunities that an illiquidity premium can afford them.

Valuation risk

Nest invests the majority of members' money in liquid quoted assets in order to manage valuation risk. We review the valuations of illiquid assets on a regular basis, and this is monitored and reported via our internal Illiquidity Committee, to review matters of both liquidity and valuation.

Environmental, Social and Governance (ESG) risks

We monitor, prioritise, and manage ESG risks alongside other financial risks and opportunities across our portfolios. We do this with the help of our responsible investment partners and ESG data providers and report the risks we face and our activities at the investment risk committee.

The investment risk committee aims to support a holistic investment risk management approach. Its remit includes reviewing key ESG issues including climate-related risks for Nest portfolios and developments in the responsible investment space which could have negative impacts on Nest portfolios. It also ensures ESG, and climate-related risk is properly integrated and considered across the process of the different investment team functions. This includes asset allocation, market risk and manager selection in both private and public markets. These risk factors can have a significant effect on the long-term performance of the assets Nest holds.

Climate risk

We actively try to reduce climate related risk in portfolios and seek investment opportunities in the transition to a low carbon economy.

Currency Risk

Investments denominated in currencies other than the scheme's base currency carry the risk of adverse exchange-rate movements. Nest looks to manage currency risk by hedging a proportion of its foreign currency exposure back into sterling.

Geopolitical Risk

As a global investor we carefully monitor environmental, social, governance, political, reputational, and economic risks when investing our members' money. As long term investors we look to manage the implications of a variety of political risks from climate change to military conflict. We also actively seek to diversify portfolios globally, to improve risk adjusted returns as well as giving access to investment opportunities not available in the UK.

Derivatives risk

We only use derivatives for efficient portfolio management and for managing risk. Nest maintains appropriate internal processes to verify the competency of external investment managers to use – and investment team members to supervise use of – derivatives as part of their investment mandate. These processes include at a minimum, the provision of necessary resources and controls to ensure appropriate and efficient implementation, reporting and monitoring and the appropriate contracts to manage the extent and way derivatives may be used. Reporting to the Investment Committee on derivative exposures occurs on a quarterly basis.

Concentration risk

This is the risk of loss arising from exposure, either directly or indirectly, within or across different risk types such as region, issuer, sector, investment partner, or investment type. Nest limits this risk by diversifying holdings within and across these exposures.

Sequencing risk

This is the risk that comes from the order in which your investment returns occur. During accumulation of savings this is less of an issue, but as Nest members start accessing their retirement savings through investment strategies such as the Nest Guided Retirement Fund (NGRF), managing sequencing risk becomes very important. Nest does this through a mixture of asset class diversification, and the application of dynamic spending rules. For each member cohort within NGRF, Nest annually reviews the level of income that is moved from the vault to the wallet, to ensure incomes remain sustainable until a member reaches age 85.

SIP Annex 2

Investment beliefs

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[1] for long periods can utilise this as an additional source of value.

- Taking account of assets' fundamental values and market prices and deploying capital countercyclically 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.

1 Nest has much higher in-flows of contributions than outflows to retirees, for decades to come.

Appendix 6

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.

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Any return figures are net of the annual management charge and transaction costs but not net of contribution charges. Past performance and any fund objective or target should not be considered as a guarantee of future performance. Return of your investment is not guaranteed as the value of investments can go down as well as up. Performance figures are shown at the fund level and do not reflect individual members' pots. The performance of members' pots will be influenced by factors like the timing and size of contributions paid in.

Data may be obtained from third-party weblinks, but these may not be error free and cannot be verified.

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