Nest, the National Employment Savings Trust

Scheme annual report and accounts 2024/25

Scheme registration number: 12004537



nestpensions.org.uk

Nest,
the National Employment Savings Trust

Scheme annual report
and accounts 2024/25
For the period 1 April 2024 to 31 March 2025

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Chapter 1

Board report



Chair's introduction



Brendan McCafferty, Chair, Nest Corporation

The year in review

Nest continues to manage members' savings in a volatile and changing world. We know that uncertainty causes worry and concern. Members can be reassured that if they keep saving with Nest, they can aim to have peace of mind about their retirement.

As we reflect on recent years, 2024/25 stands out as a pivotal time for Nest, as the board focused not just on today's performance, but on ensuring Nest stays relevant to member needs, and has a clear plan for the future.

Central to our recent progress was the approval of a new 'purpose statement' and corporate strategy in September, setting a clear direction for how we'll continue to deliver long-term performance and value for our members.

'Building financial peace of mind for all', our revised purpose statement, reaffirms our role as a long-term partner to our members. It recognises that we must accompany them on their financial life journey to retirement: walking with them through the accumulation phase of their retirement plan, supporting them through life's challenges, and advocating for their interests within the broader pension system. Our purpose is not just aspirational, it is a North Star that shapes every decision we make.

The strategy that underpins this purpose sets ambitious goals for the end of the decade. We aim to be a best-in-class pension provider—operating at scale, delivering exceptional value and continuing to achieve investment outcomes that exceed expectations and that are as good as the best. We have set a new ambition for Nest members: to expect the best, and our intent is to deliver the best through our new strategy. It also recognises our role within the wider pension system—helping to influence the industry and shape its future, as a force for good within it.

In a year marked by continued economic volatility and persistent inflationary pressures, our investment approach has remained resilient. Our members' sense of need for security in an uncertain world is perhaps stronger than ever. We have consistently delivered healthy, stable returns while thoughtfully managing investment risk for our diverse membership. Our message to members is simple: ***stay the course***. History shows that long-term saving, particularly through turbulent times, leads to growth and greater financial security. We remain mindful that the cost-of-living crisis continues to be a challenge for many households.

Our performance

As of 31 March 2025, there was circa £50 billion total net assets in the Scheme, of which £10.6 billion was invested in the UK, representing around 21% of total net assets.

Financial markets navigated a complex and shifting landscape in 2024/25, shaped by persistent inflation, changing interest rate expectations, and renewed geopolitical tensions. While easing inflation and strong corporate earnings supported returns, particularly in developed markets, volatility remained a constant theme, with late-year geopolitical developments and trade uncertainties weighing on sentiment.

Despite this backdrop of global uncertainty, performance of our funds has remained positive.

The 2045 Nest Retirement Date Fund, which is designed for members expecting to retire in 2045 and represents the growth phase, had five-year annualised returns of 9.9%. This is well ahead of our long-term objective to achieve investment returns of at least 3 percentage points above inflation. For the same five-year period, inflation was 4.7%, so our long-term objective was to generate investment returns of at least 7.8%.

This year saw a significant increase in registered employers, of which 0.5 million were contributing as at 31 March 2025. However, growth in member numbers has begun to slow, as many of these new employers have fewer than 50 staff. As of 31 March 2025, our 13.8 million members reflect approximately 46% of UK's working population.

Evolving our investment strategy

We have a forward-looking investment approach that combines global diversification, active risk management, and a strong and steadfast commitment to responsible investing. We are investing on our members' behalf for decades to come, with the goal of ensuring their future is both secure and sustainable. Nest continues to care about the world our members will retire into.

We continue to evolve our investment strategy in response to an increasingly competitive and geopolitically complex world. Our scale allows us to access private investment markets and alternative asset classes that offer lower volatility and attractive long-term returns.

In September 2024, we announced a new partnership with two other asset owners, Legal & General (L&G) and PGGM, to collectively invest in Build-to-Rent (BTR) properties across the UK. The first site, on Deansgate in Manchester, was publicly confirmed in March 2025, where a brownfield site will be transformed into nearly 500 high-quality rental homes.

We also acquired a 10% equity stake in Industry Super Holdings Pty Ltd, the parent company of global institutional investment manager IFM Investors (IFM). This partnership will help us further scale our private market investment, giving us access to IFM's global expertise in infrastructure, debt, and private equity, while supporting our ambition to increase our allocation to private markets and unlock new opportunities in the UK and beyond.

We know that investing in the UK is essential to strengthening the economy and supporting the infrastructure that our members rely on every day.

Nest has already invested £10.6bn in the UK and is a proud signatory of the Mansion House Compact, an industry-led initiative supported by government, which brings together major pension schemes to increase investment, in UK growth. This agreement marks a significant step toward unlocking greater private market investment which we fully embrace and is aligned to our investment strategy.

We welcome the shift towards identifying and breaking down barriers to investment. It's something we are committed to achieving, putting more private market opportunities into the hands of our members.

Listening to our customers

We have begun reshaping the role of our Members' and Employers' Panels, recognising the vital insight they provide. With almost 1.6 million registered employers now engaged with us; their voice is as important as that of individual members in shaping our services.

Over the past year, both panels have played a crucial role in helping us understand the evolving needs of our members and employers. They've provided valuable input on key areas such as our new corporate strategy, investment principles, and the development of financial wellbeing tools. The Employers' Panel has helped us better understand the experiences of micro and small employers, while the Members' Panel has offered thoughtful feedback on our retirement proposition, transfer trends, and the future of the pension's dashboard.

We've also brought the panels together in joint sessions with our Board and executive committee to explore how their roles can evolve in line with our strategic ambitions. These conversations are helping us ensure that the panels remain a strong, independent voice for those we serve.

At the same time, we have started to build deeper, more meaningful, engagement with our wider membership. Campaigns like our 'Everyday Investor' initiative are helping to demystify how we invest on behalf of members, highlighting the household name businesses, and community projects their money supports. The campaign achieved an estimated 38 million impressions across our social media channels.

Our employers, and the organisations who support them, continue to tell us that Nest is easy to use and responsive to the changing needs of their businesses. The insight and challenge provided by our Panels help us stay focused on what matters most.

Last year, we set out our ambition to develop new scheme and fund administration solutions that would give us deeper insight into our members' needs and help shape the future of our services. Over the past year, we've made strong progress. We continue to work closely with Tata Consultancy Services (TCS) on the implementation of our new scheme administration platform, which will provide the data and flexibility we need to better serve our members and employers. We've also appointed Northern Trust as our new fund administrator and custodian, with implementation planned before the end of the next financial year. These changes are central to our long-term strategy—ensuring we have the right infrastructure in place to deliver a modern, data-driven pension scheme that puts members first.

Governance and stewardship

Strong governance remains at the heart of how we deliver good outcomes for our members. It's built on a foundation of diverse perspectives, experience and challenge. This governance has continued to be a focus this year. We welcomed five new members to the Board, enhancing our expertise in investment, customer experience, and member engagement. This revised composition of the board brings a diverse knowledge base that can support the executive in driving forward the revised corporate strategy.

This year, we also bid farewell to three valued Board members. As noted last year, Helen Dean CBE stepped down as CEO in April 2024 after eight years in role and having been very involved in the design and launch of Nest. We also saw the departure of Chris Hitchen, whose leadership of our investment committee played a pivotal role in shaping our investment philosophy over many years, and Richard Lockwood, our executive Board member and CFO since 2014 who had played an important role in stewarding Nest through its development. I would like to thank Helen, Chris and Richard for their dedication, leadership and the impactful contributions they made during their tenure.

We are committed to being open and inclusive, while remaining focussed on the low to middle income earners we were set up to serve. We aim to support members and employers through propositions that meet their needs, alongside robust investment practice and good returns. The passion and hard work of the talented team at Nest Corporation continue to shape 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 focused on our low to middle income earners, and on pursuing our Purpose, always acting in members' best interests and building a pension they can continue to trust.

Forward view

Looking ahead, we are focused on embedding our purpose throughout the organisation. We are preparing to launch our enhanced retirement proposition—a key initiative that will support members as they transition from saving to spending. While still in its early stages, it reflects our broader ambition to be there for members at every step so they can benefit from a whole-of-life service which is truly tailored to them.

Our commitment to diversity and inclusion remains strong. We have set ourselves ambitious, but achievable, targets towards improving diversity within our Board and executive team. During the year, we met our target on the representation of women with eight Board and three executive team members being women. We continue to work towards improving representation from diverse backgrounds, with a minimum of one Board member as having black or black mixed heritage and one executive team member being from an ethnically diverse background. While we acknowledge there is more to do, particularly in Board composition, where we operate within a public appointments process, we remain transparent about our progress and steadfast in our ambition.

With regard to governance, we are strengthening the stewardship of our investment function to ensure it continues to serve members' interests with rigorous oversight, ambition and expert insight and we strive to benefit from global examples of leading practices and investment approaches.

We continue to recognise our unique role in the UK pension system. We are not just a provider — we aspire to be a force for good, influencing the industry and advocating for better outcomes for all savers.

Finally, I would like to say thank you to the DWP and other stakeholders and all my Nest colleagues for your continued hard work and support for Nest and its members.

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 'Rules of the National Employment Savings Trust 2024' 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 'Order and rules of the National Employment Savings Trust'[2], known as 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 2025

About the Scheme

Scheme members



13.8m
total members

3.9m
contributing members[3]

9.9m
non-contributing members[4]

52%
male

48%
female

0.02% of Scheme membership did not have a gender listed on their Scheme enrolment

Scheme employers

517k
contributing employers[5]

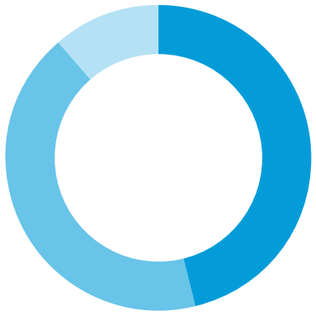
24k
self-employed members[6]

37k
Nest Connectors[7]

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 Contributing employers are those who made contributions in March of the year under review.
6 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.
7 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.

Managing members' money

Annual contributions



£8.0bn
total annual contributions

£3.7bn
members

£3.4bn
employers

£0.9bn
tax relief

Delivering customer services

99%
Service channels were available more than 99% of the time in 2024/25

75%
Member satisfaction[8]
(from the 'Voice of the customer' survey December 2024)

61%
Employer satisfaction[9]
(from the 'Voice of the customer' survey March 2025)

2045 Nest Retirement Date Fund[10]

7.2% per annum
Ten-year rolling annualised returns after annual management charges to 31 March 2025

8 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.
9 The annual employer survey in March 2025 was conducted using an online survey method. The Trustee acknowledges the year-on-year decline in employer satisfaction and is undertaking a programme to address the root causes of this trend. This forms part of a broader set of initiative to enhance the employer experience, which will be supported by the implementation of the improved service delivery model under the new contract with TCS, commencing in summer 2025.
10 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 43**). The 2045 fund, for members expected to retire in 2045, 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

Investment managers
Allspring Global Investments (UK) Ltd
Amundi Asset Management
Amundi (UK) Ltd
BlackRock Inc
BlackRock Life Limited
BNP Paribas Asset Management Nederland NV
Campbell Global LLC (from 17 September 2024)
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
Legal & General Property Limited (from 1 August 2024)
Local Pensions Partnership Investments Ltd / GLIL
Lombard Odier Asset Management (Europe) Limited
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
Bevan Brittan LLP
CMS Cameron McKenna Nabarro Olswang LLP
Eversheds Sutherland (International) LLP
Pinsent Masons LLP
Travers Smith LLP

External auditor
KPMG LLP

Internal auditor
Deloitte LLP (from 2 April 2024)
Ernst & Young LLP (to 31 May 2024)

Tax advisors
PricewaterhouseCoopers LLP (from 12 November 2024)
Deloitte LLP (to 11 November 2024)

Membership

The Scheme's membership in 2024/25 grew as follows:

Member numbers

	Year ended 31 March 2025	Year ended 31 March 2024
Members at the beginning of the year	**13,024,315**	**12,007,913**
New members*	1,377,703	1,481,215
Members opting out or de-enrolling	(202,418)	(220,688)
New members joining in the year	**1,175,285**	**1,260,527**
Less		
Members retired	(129,767)	(118,193)
Members transferred out	(156,379)	(117,309)
Members deceased	(10,399)	(8,623)
Merge of duplicate member accounts**	(118,286)	–
Members at the end of the year^	**13,784,769**	**13,024,315**
Contributing members†	3,936,240	3,770,497
Non-contributing members	9,848,529	9,253,818
Members at the end of the year	**13,784,769**	**13,024,315**

* 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 the Trustee started a process to identify and merge duplicate member accounts. Duplicate accounts arise when the necessary information is not provided to the Trustee to identify new account request for existing members.
^ This includes 214,038 members who have a zero pot (2023/24: 161,277).
† 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 members concerned within a reasonable period after the due date. During the financial year running from 1 April 2024 to 31 March 2025, 703,233 of contribution events were reported to TPR (2023/24: 632,095). This equates to 6.4% of contribution events (2023/24: 6.0%) 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 the Nest Guided Retirement Fund or Nest Ready to Retire Fund (depending on eligibility requirements).
- Transferring to another registered pension scheme.
- Transferring to a retirement income (annuity) provider.

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 86**.

Governance report

Chair's governance statement for the year ended 31 March 2025

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

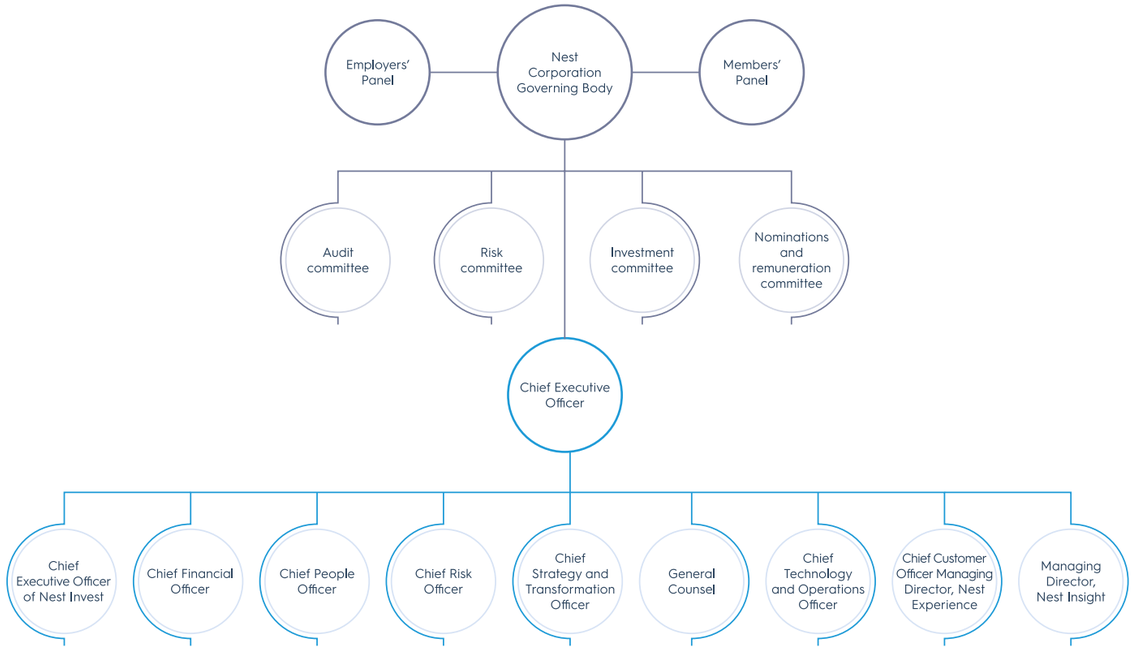
Nest Corporation was established on 5 July 2010 to be the Trustee of the Scheme, the Trustee's role is to develop and operate the Scheme. Nest Corporation's function is set out in the Pensions Act 2008. The Nest Order and Rules set out how the Scheme will operate (see 'Scheme facts and figures' on **page 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.[11]

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

Organisational chart as at 31 March 2025[12]

The below organogram sets out the governing body, supporting Board committees and the executive roles within Nest Corporation that support the Chief Executive Officer (CEO) in the day-to-day running of the organisation.



Executive committee

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

12 Chief Executive Officer and Chief Financial Officer positions are currently filled on an interim basis, the Chief Technology and Operations Officer position was vacant as at 31 March 2025.

The Board and committees

The Trustee comprises 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.

Board 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. This guidance promotes selection on the basis of merit, fairness, and openness. By following this publicly available guidance, Nest ensures that its appointment process is both open and transparent. 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 Interim CEO, the previous CEO and the then Chief Financial Officer (CFO), who are or have been employees of Nest Corporation, and Chris Hitchen, who previously served as a Board member of Nest Corporation between 2010 and 2015.

During 2024/25, one non-executive Board member left the Board in May 2024, and two executive Board members left the Board in April 2024 and December 2024 respectively. One new executive Board member joined the Board in May 2024, and five new non-affiliated Board members were appointed on 25 November 2024.

Biographies of all individuals who were Board members at any point during 2024/25 can be found on **page 24**.

Experience and skills

Board members bring a range of experience and skills. Collectively these include investment, pensions, risk, member representation, customer, finance, audit, digital transformation, governance, and business management. As noted above, biographies for Board members are on **page 24**.

As at 31 March 2025, all Board members (with the exception of two Board members who joined in November 2024) 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 two remaining Board members completed the toolkit within the required six month timeframe.

The induction process familiarises all new Board members on a broad range of topics, 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 and its strategic partners. As with previous years, the five new Board members who joined in November 2024 received comprehensive induction materials alongside detailed briefings on key areas.

The Board has a good working knowledge of the Nest Order and Rules, 'Statement of investment principles' (SIP)[13] (see **page 42**), 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 Nest 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, 'Task force on climate-related financial disclosures' (TCFD) reporting, which includes advice and applicable regulatory guidance and clarity on the resultant legal obligations under pensions and trust law.

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.

13 **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 competence and experience level in certain skills. Any requirements are met through briefing sessions and individual commitment to ongoing education and training. During 2024/25, Board members received briefings or training on a number of topics, including fraud protection, psychological safety, pension policy, 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 Trustee also has a people and reward specialist serving on the nominations and remuneration committee but not on the Board. This helps to ensure continued oversight and scrutiny of its people strategy.

The investment objectives for the Scheme are set out in the Trustee's SIP. On a quarterly basis, the investment committee (see **page 23**) 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. 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 23**) is responsible for overseeing the review process and implementation of recommendations.

The last externally led review was conducted by Board Alchemy in 2023/24 and the next externally facilitated review will be conducted in 2026/27. In addition to this, Nest Corporation's secretariat team conducted an internal effectiveness review of the Board and its committees in the last quarter of 2024/25. The results of the review were considered by the nominations and remuneration committee at its meeting on 20 March 2025 and by the Board at its meeting on 26 March 2025. This review provided assurance that the Trustee's governance framework continues to operate effectively and outlined some improvements 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. It also oversees 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.[14]

14 **nestpensions.org.uk/schemeweb/nest/nestcorporation/how-nest-is-run/policy-and-procedures.html**

Article 8 of the Nest Order sets out the remit for the Employers' Panel and the Members' Panel (see **page 30**) 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'.[15]

Customer 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 the three primary customer groups (Scheme members, employers and Nest connectors) 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 customers a year and customers of other pension schemes. Surveys are sent several 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 customers 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 customers 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 customers provide feedback at their convenience:

- A survey link is included in the member and employer 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.[16] 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 of 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.

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

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

Risk committee

The risk committee is responsible for advising on overall risk strategy and risk appetite and monitoring their effectiveness. 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.

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.































The Board

As at 31 March 2025, there were fourteen Board members, including the Chair. Five new, non-executive Board members were welcomed to the Nest Board during the 2024/25 financial year and one non-executive Board member's term ended during the period. Two executive Board members left the Nest Board during the 2024/25 financial year, and one executive Board member joined in May 2024.

1. Brendan McCafferty

Board Member from 1 February 2022

Chair, Nest Corporation from 1 February 2022

Brendan has been in the role as Chair of Nest since February 2022 and has a five-year term. He is focused on preparing Nest to be ready for growth and becoming a £100bn Master trust by 2030, guided by a clear strategy and purpose, and has set the organisational goal of becoming 'Best in Class.' He is also Chair of Leeds Building Society (a £35bn mutual). Brendan was the founding CEO of Flood Re (a Public Body), the UK's solution to household flood insurance market failure and has been CEO of various large and complex insurance businesses, in a 40-year career. He is a Trustee of Blueprint for Better Business, a charity working with FTSE100 businesses on the power of having organisational Purpose and encouraging business to be a force for good in society. He is also a Trustee of a large church-based charity based in Salford addressing homelessness and poverty. He is a qualified accountant and lives with family in Warrington, in the northwest of England.

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, and a Trustee Director of Shelter and the Whitechapel Gallery.

3. Ian Cornelius

Board Member from 1 May 2024

CEO, Nest Corporation from 14 April 2024

Ian has 25 years' experience working in financial services. He was a Group Board Director at Skipton Building Society from 2012 to 2023 where he held positions of Commercial & Strategy Director for 10 years and then Interim Group CEO.

Prior to his time at Skipton Building Society Ian held senior leadership roles at Homeloan Management Limited, Virgin Money, Bradford & Bingley and Capital One.

4. Karen Cham

Board Member from 1 July 2019
(reappointed for second term from 1 July 2024)

Karen is Professor of Augmented Intelligence, Digital Transformation Design in the Foresight, Creativity & Decision Making Research Hub, Dept. Strategy, Marketing & Innovation 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, a fifth of the University research and enterprise strategy which included digital economy, digital health, complex systems and immersive, simulation and virtualisation. As part of this, she was academic lead of the Digital Catapult Centre Brighton and their '5G Brighton' project, a named part of the UK government's 5G strategy and the first 5G testbed off a research site aimed at small businesses.

Karen sits on UK5G and is part of the UK Telecoms Innovation Network. 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 and a Women in Games Ambassador as part of Google Women TechMakers.

5. 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 and is a long-standing advocate of putting pension members' interests first.

In addition to her role at Nest, Helen currently works as a Non-Executive Director of InvestAcc Holdings Limited, a specialist SSIP and SSAS administration business and a Trustee and Chair of the investment committee for DHL (UK) Foundation, overseeing the Foundation's portfolio of assets. She is also a special advisor to Catella APAM's real estate investment trusts fund. Helen previously served as Chair of the Pension SuperFund (PSF) Holdings and PSF Sponsor boards and a Trustee for the Rifles Museum Regimental Trust.

6. Michael Gordon

Board Member from 24 November 2024

Michael brings over a decade of experience as a non-executive director, advisor, and trustee in the investment management and retirement savings sector, alongside more than 30 years of executive expertise in governance, oversight, and leadership within investment management both in the UK and internationally. Presently, Michael serves as an independent director for Yarra Capital Management, which handles investments for superannuation funds and family offices. Since 2021, he has been an advisor to the investment committee and Manager of the Square Peg Global Technology Fund. He also holds the position of investment committee Chair for an international family office.

Previously, Michael was the CEO of Perpetual Investments and held Chief Investment Officer roles at Fidelity International, BNP Paribas Investment Partners, and Schroders Australia. His experience as a non-executive director also includes serving on the Board and chairing the investment committee of Total Risk Management Pty. Limited, a subsidiary of Russell Investments that acts as the trustee for the Russell Investments SuperSolution Master Trust, a successful Australian defined contribution superannuation fund.

7. Nina Hingorani-Crain

Board Member from 1 June 2023

Chair, Nominations and remuneration committee from 1 June 2024

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, an NHS Foundation Trust, and the Institute of Chartered Accountants in England and Wales (ICAEW).

8. Catherine Howarth

Board Member from 24 November 2024

Since 2008, Catherine has been serving as the Chief Executive of ShareAction, a UK-registered charity that advocates for sustainable investment and business practices worldwide. Additionally, she is a member of the Financial Conduct Authority's sustainable finance committee and HM Treasury's Asset Management Taskforce. Her previous roles include serving on the Boards and investment committees of TPT Retirement Solutions (formerly known as The Pensions Trust) and the Scott Trust, which owns The Guardian Media Group. She also founded West London Citizens, a network engaged in addressing social and economic issues, and was the Lead Organiser for the Living Wage Campaign.

Catherine holds the PMI Award in Pension Trusteeship and was recognised as a Young Global Leader by the World Economic Forum in 2014. She also received an OBE in 2022 for her 'services to sustainability.

9. Sarah Laessig

Board Member from 1 September 2021

Senior Independent Director from 28 July 2022

Chair, Nominations and remuneration committee from 28 July 2022 to 31 May 2024

Chair, Investment committee from 1 June 2024

Sarah Laessig has 25 years' experience in financial services across banking, asset management and pensions. She is a non-executive board member of United Trust Bank, a specialist lender, 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 Civil Service Commissioner. She is an Ambassador of Women on Boards UK.

10. Nikki Marsh

Board Member from 1 June 2023

Nikki brings over 20 years of senior leadership experience across financial services and the public sector, with a strong track record of championing customer-focused transformation. Her career includes 13 years in financial services, 10 of which were in the mutual sector, and 7 years as a senior civil servant. She has held a range of senior executive roles spanning marketing & communications, digital transformation, and customer experience, with a consistent focus on embedding customer-centric culture within organisations.

Nikki is currently a non-executive director at Penrith Building Society and a qualified executive coach. She is also the co-founder of a tailored coaching programme designed to support aspiring non-executive directors on their journey to board readiness. In addition, she previously served as a trustee for a not-for-profit organisation dedicated to improving care delivery and supporting those working in the care sector.

Her breadth of experience across sectors and functions brings valuable insight and strategic challenge to the Board.

11. Faith Reynolds

Board Member from 24 November 2024

Faith is a recognised consumer expert with significant experience in financial services, consumer engagement, data, and regulation. She currently serves as a non-executive director at Fair4All Finance, promoting financial inclusion through dormant asset distribution. Faith advises the board at TISA (The Investing & Saving Alliance) and recently led ground-breaking research with its members to make investing more inclusive and improve consumer communications. She is the Advisory Board Chair at INFINITY, which aims to catalyse the next generation of university-inspired financial technology commercialisation ventures and the current Advisory Board Chair for UKFin+ which funds academic research collaborations on complex financial services issues using technology. Faith is an expert in Open Banking and Smart Data and is a member of the Advisory Panel for the Electralink Board.

Most recently, Faith was a non-executive director at the Payment Systems Regulator and led strategy and research at tech start-up Amplified Global. Previously, Faith was an Independent Consumer Representative for the Open Banking Implementation Entity, an independent director for Pay.UK's Current Account Switch Service, and a member of the Authorised Push Payment Scams Advisory Group. She also served on the FCA's Financial Services Consumer Panel for a number of years, and initiated Toynbee Hall's financial inclusion efforts earlier in her career.

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.

13. Howard Walpole

Board Member from 24 November 2024

Howard is an experienced actuary with more than 35 years in the insurance industry, holding various risk management positions. His latest role was Interim Chief Risk Officer at Direct Line Group, and he previously served as Chief Risk Officer for Lloyds' Insurance & Wealth division. At Lloyds, he also held roles such as Financial Risk Director and Solvency II Programme Director, dealing with strategic, operational, regulatory, climate-related issues, and M&A activities. Currently, Howard is an Advisory Board Member for the regulatory standards and codes committee of the Financial Reporting Council.

Howard began his career as a consultant at Tillinghast (Willis Towers Watson – now WTW) and held senior positions at Aegon / Scottish Equitable. Alongside his Board and Executive roles, Howard has also served on the audit and risk committee of his local council.

14. Stuart White

Board Member from 24 November 2024

Stuart has over 25 years of executive experience in the investment management industry and currently serves as a Board Director of HSBC Global Asset Management Ltd., the £550 billion asset manager of the HSBC Group. Stuart is a member of the executive management committee and risk management committee, and oversees the firm's global diversity, equity, and inclusion programme. Stuart is also the CEO & Board Director of HSBC Global Asset Management (UK) Ltd., managing around £150 billion in assets.

Stuart has spent the last 10 years as a Trustee Director of the £37 billion HSBC Bank Pension Trust (UK) Limited (the hybrid defined benefits and defined contributions pension scheme of the HSBC Group), where he chaired the investment committee.

Joining HSBC in 2010, Stuart has held roles such as Global Head of Strategy & Chief of Staff, and CEO, International for HSBC Global Asset Management. Previously, he spent five years at Insight Investment and began his career at Threadneedle Asset Management in 1998.

Stuart holds an MBA from London Business School, the CFA Investment Management Certificate, the CFA ESG Investing Certificate, and the PMI Award in Pension Trusteeship. He is also on the Advisory Board of the Asset Owner Diversity Charter, the Advisory Council of the UK's Diversity Project and the Advisory Council of the UK's Investment Association and their trade & investment committee.

Board members stepping down during 2024/25

Helen Dean, CBE
Board Member from 1 June 2018 to 30 April 2024.

Chris Hitchen
Board Member from 1 June 2018 (reappointed for second term from 1 June 2023) to 31 May 2024.

Richard Lockwood
Board Member from 1 September 2018 to 31 December 2024.



Employers' Panel

(Panel Chair – Ron Jarman from September 2021)

The Employers' Panel was set up in accordance with the Pensions Act 2008 and Nest Order. 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 2025.

During 2024/25 the panel met four times and had two joint sessions with the Members' Panel. 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. This year's programme focused on the employers and connectors segmentation work, research on the micro and small employer group (3-4 employees) who showed elevated levels of dissatisfaction or neutrality towards the Scheme, overview of Nest Corporation's finances in relation to the loan agreement with the DWP and the current forecast for repaying the loan by 2038, understanding of the Trustee's new customer strategy and brand strategy as well as financial wellbeing tools being develop by the Trustee for members.
- Providing input on proposed changes to the SIP and changes to the Nest Order and Rules. The Panel was also consulted on changes to a fund choice.
- Attending a joint meeting with members of the Members' Panel, the Board, and the executive committee. The meeting explored the Trustee's new corporate strategy and discussed the evolution of the Panel within this context.

Members' Panel

(Panel Chair – Catherine Walker from October 2022 to May 2024)

(Interim Panel Chair – David Hilton from May 2024 to October 2024)

(Panel Chair – Charles Pears from October 2024)

The Members' Panel was set up in accordance with the Pensions Act 2008 and 'Nest Order' 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 2025.

During 2024/25, the panel met four times and had two joint sessions with the Employers' Panel. 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 input on proposed changes to the SIP and changes to the Nest Order and Rules. The Panel was also consulted on changes to a fund choice. Considering issues relevant to members in order to provide advice and feedback to the Board and the executive committee This included topics such as retirement proposition, the Nest Invest strategic review, pensions dashboard, transfers trends in the Scheme, financial wellbeing tools and the Trustee's purpose and the new corporate strategy.
- Attending a joint meeting with members of the Employers' Panel, the Board, and the executive committee. The meeting explored the Trustee's new corporate strategy and discussed the evolution of the Panel within this context.

Committee membership as at 31 March 2025

Audit committee

Myfanwy Barrett	Chair
Nina Hingorani-Crain	Member
Martin Turner	Member

Risk committee

Martin Turner	Chair
Myfanwy Barrett	Member
Karen Cham	Member
Helen Copinger-Symes	Member
Nikki Marsh	Member

Investment committee

Sarah Laessig	Chair (from 1 June 2024)
Helen Copinger-Symes	Member
Jennie Austin	Special committee member
Katrina Shenton	Special committee member
Jaap van Dam	Special committee member

Nominations and remuneration committee

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

Board and committee meetings

Details of meetings attended by Board members

	The Board	Audit committee	Risk committee	Investment committee	Nominations and remuneration committee
No. of meetings					
Brendan McCafferty	5/6	-	-	-	7/8
Ian Cornelius	6/6	-	-	-	-
Myfanwy Barrett	6/6 (one meeting attended in part)	7/7	4/4	-	-
Karen Cham	6/6	-	3/4	-	5/8 (one meeting attended in part)
Helen Copinger-Symes	6/6	-	4/4	7/8	-
Helen Dean	-	-	-	-	-
Michael Gordon	2/2	-	-	-	-
Nina Hingorani-Crain	6/6 (one meeting attended in part)	7/7	-	-	7/8
Chris Hitchen	1/1	-	-	1/1	-
Catherine Howarth	2/2	-	-	-	-
Sarah Laessig	6/6 (one meeting attended in part)	-	-	8/8	8/8 (one meeting attended in part)
Richard Lockwood	5/5	-	-	-	-
Nikki Marsh	6/6	-	4/4	-	-
Faith Reynolds	1/2	-	-	-	-
Martin Turner	6/6	7/7	4/4	-	-
Howard Walpole	2/2	-	-	-	-
Stuart White	2/2	-	-	-	-
Jennie Austin	-	-	-	8/8	-
Jaap van Dam	-	-	-	8/8 (one meeting attended in part)	
Katrina Shenton	-	-	-	6/8	-
Carol Young	-	-	-	-	6/8

Notes to Board and committee meetings table

The Board

Helen Dean resigned as CEO and a Board member with effect from 30 April 2024.
Ian Cornelius was appointed as Interim CEO with effect from 14 April 2024 and a Board member with effect from 1 May 2024
Chris Hitchen resigned as a Board member with effect from 31 May 2024.
Richard Lockwood resigned as a Board member with effect from 31 December 2024.
Michael Gordon joined the Board with effect from 24 November 2024.
Catherine Howarth joined the Board with effect from 24 November 2024.
Faith Reynolds joined the Board with effect from 24 November 2024.
Howard Walpole joined the Board with effect from 24 November 2024.
Stuart White joined the Board with effect from 24 November 2024.

Risk committee

Chris Hitchen stepped down from the committee on 31 May 2024, following his resignation as a Board member.

Investment committee

Chris Hitchen stepped down from the committee on 31 May 2024, following his resignation as a Board member.
Sarah Laessig was appointed as Chair of the committee with effect from 1 June 2024.
Jennie Austin, Jaap van Dam and Katrina Shenton are members of the investment committee but are not Board members.

Nominations and remuneration committee

Sarah Laessig stepped down as Chair of the committee with effect from 31 May 2024.
Nina Hingorani-Crain was appointed as Chair of the committee with effect from 1 June 2024.
Carol Young is a member of the nominations and remuneration committee but is not a Board member.

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 March 2025.

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 2024/25'.[17]

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

- **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 50** for a summary of its consideration of risks and opportunities during the financial year.

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 operating model. The processing of core transactions is undertaken on behalf of the Trustee by the Scheme administrator, TCS, the investment funds administrator, 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.

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

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 'Code of Practice'.[18]

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 99% of service levels met during 2024/25.

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 2024/25. 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 92** or the default funds, and the Fund performance table on **page 54** 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 98** 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 2024/25.

18 **TPR general (single) code of practice | The Pensions Regulator**

The illustrations were prepared in line with statutory 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 94**. 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 0.006% and 0.083%. Transaction costs for the Scheme's other fund choices are between 0.003% and 0.088%.

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 43**.

For the asset allocation of each fund as at 31 March 2025, see Appendix 4 on **page 96**.

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 104** 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 86**.

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 44**.

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 2025, nearly 99% of Scheme members were invested in the Nest Retirement Date Fund series.

The default funds' member journey

The 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 its 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 member's savings journey.

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

- Long-Term Stable Growth
- Capital Preservation
- Higher Growth
- Income Seeking
- Longevity Protection

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 post-retirement income phase

For information on the design and objectives for each phase in the member journey, see 'Nest Retirement Date Funds' on **page 43** and the SIP. The latest available SIP, which forms part of this report, is included in Appendix 6 on **page 104**.

Review of the default fund

A review of the Scheme's default funds and the SIP (see **page 42**) 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 104**.

In December 2024, the Trustee approved updates to the existing SIP to reflect changes to the non-default fund options. As part of this, the 'Nest Post Retirement Date Fund – series two' was renamed the 'Nest Ready to Retire Fund' and will now operate as a standalone fund option choice. The composition of the fund remains unchanged. Further details can be found on **page 44**.

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**.

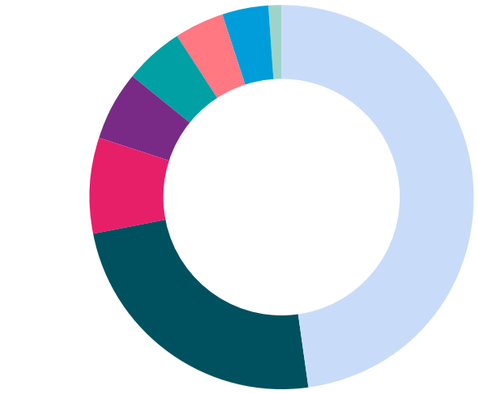
The Trustee assesses the performance of the Nest Retirement Date Funds against investment objectives which are aligned with an understanding of the needs and priorities of Scheme members. The Trustee also reviews the factors underlying investment performance, including asset allocation, transaction costs 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, liquidity and other risks being taken by investment managers, and this feeds into the overall risk management of the Nest Retirement Date Funds.

Based on the advice of Nest Invest and a range of other management information, the investment committee agreed during its meetings in 2024/25 that the investment approach continued to be in line with the SIP.

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 level 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 the flagship 2045 Nest Retirement Date Fund. The Nest Retirement 2045 Date Fund is now referenced instead of the 2040 fund, as it better reflects the growth phase of funds in that stage of the lifecycle. The 2040 fund has progressed further along its path. The asset allocation for all other Retirement Date Funds can be found on **page 96**.

Nest 2045 Retirement Date Fund Asset Allocation as at 31 March 2025



- 48% Listed Equities
- 24% Bonds
- 8% Property/Real Estate
- 6% Infrastructure
- 5% Cash
- 4% Private Equity
- 4% Private Debt/Credit
- 1% Other

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 44**). 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.

One of the Trustee's key investment beliefs is that diversification improves risk-adjusted returns. The Trustee also believes that members who wish to invest according to Islamic principles should have access to a diversified fund, in the same way that members who invest in the default retirement date funds or who wish to follow ethical investment principles do. Therefore, in November 2024, the Trustee implemented a change to the asset allocation of the Nest Sharia Fund. Previously, the Nest Sharia Fund comprised of HSBC managing one mandate (Islamic Global Equity Index fund). The fund was therefore enhanced by allocating 30% to sukuks, while retaining 70% in equities. The sukuk element is also provided by HSBC.

As mentioned above, in December 2024 the Trustee approved updates to the existing SIP to reflect changes to the non-default fund options. As part of this, the 'Nest Post Retirement Date Fund – series two' was renamed the 'Nest Ready to Retire Fund' and will now operate as a standalone fund option. The composition of the fund remains unchanged. Further details can be found on **page 44**.

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 2024 using the guidance set out in TPR's general code of practice. 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 26 March 2025.

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 (see **page 33**) and transaction costs (see **page 34**) 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 33**) and transaction costs (see **page 34**) are described in the relevant sections above. A charges comparison exercise was carried out in September 2024 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

26 June 2025

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

26 June 2025



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. In December 2024, a small change was made to the SIP, enabling the Nest Post Retirement Date Fund – series two to be renamed as the 'Nest Ready to Retire Fund' and become an elective option for members over the age of 60. This update was necessary as it introduced a new fund choice for members.

The latest available SIP, which forms part of this report, is included in Appendix 6 on **page 104** 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 86**.

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 2024/25 'SIP implementation statement' will be published in Autumn 2025.

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 44**).

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.

The overarching investment objective for the Nest Retirement Date Funds is delivering the best retirement income for as many as possible. Each fund aims to have members' money ready to convert into retirement benefits in the year they want to take their money out.

There are 47 Nest Retirement Date Funds. These, plus the post-retirement fund paths – the Nest Guided Retirement Fund (NGRF) and the Nest Ready to Retire Fund – make up the Scheme's default strategy. Members in the default strategy are automatically moved into an NGRF or Nest Ready to Retire Fund at their Scheme retirement age, depending on the amount of money in their Nest account.

The asset allocation for each fund as at 31 March 2025 is included in Appendix 4 on **page 96**.

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

- Long-Term Stable Growth
- Capital Preservation
- Higher Growth
- Income Seeking
- Longevity Protection

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. See the graph below for the proposed target member journey, where the horizontal x-axis is the age of the Nest member.

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 104**.

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 in global equities, judged to meet Sharia financial principles, and sukuks, an Islamic financial certificate that has similar properties to a bond.

Nest Higher Risk Fund

This fund is for members who want to take more investment risk, to try and grow their pension pot more quickly than it might in a Nest Retirement Date Fund. It invests in things like company shares, property and bonds. 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 want to prioritise being cautious about investing. Their retirement pot will be exposed to far less investment risk than a Nest Retirement Date Fund, as all of their pension savings will be invested into bonds. 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.

Nest Ready to Retire Fund

This fund is designed for members aged at least 60, regardless of pot size, who intend to convert their savings into one, or several, cash lump sums. Eligible members can now select this option like any other fund.

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 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.

A proportion of the assets – over 16% – are invested in illiquid assets (indicated with * in the below table). Please note, the mandates listed in the table below are used to make up all Nest Funds. Data accurate as of 31 March 2025 and correct at time of publication; however, asset allocations are indicative only and subject to change.

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
	Sukuks	HSBC Global Asset Management
Real assets	Direct property*	Legal & General Asset Management
		Legal & General Property Limited
	Natural capital	Campbell Global LLC
	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.

Robust due diligence processes, regular market engagement with representatives across the financial industry, and ongoing monitoring ensures the Trustee retains confidence that it has suitable managers for each asset class and mandate. This includes producing reports that review the annual financial statements of the pooled investment vehicles, and the solvency and financial positions of the investments held in insurance wrappers, as well as assurance reports on each investment manager. Each investment manager is fully aware of the Trustee's approach and their performance against set objectives are closely monitored.

The Scheme's new managers receive the Trustee's policies such as the climate change, responsible investment, engagement and voting, and stock lending policy. The Trustee provides updates on these policies to managers as required.

As part of the external investment manager due diligence 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 internally 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, the Trustee monitors fees and charges in the context of its ongoing market evaluation of the price of investment management services. Regular benchmarking is provided, offering insight into the Scheme's investment costs in comparison with global peers.

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. Nest Corporation may terminate a manager's appointment for various reasons, such as misalignment on ESG priorities, a change in investment strategy, or failure to deliver on the objectives for which they were appointed. In such cases, Nest Corporation will move assets to an alternative manager or re-procure for that particular asset class. To manage this risk, and also aid with deployment, multiple managers are often appointed to manage different mandates for the same asset class.

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 expectations.

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.

In May 2024, Nest confirmed the appointment of Northern Trust as the future fund administrator and custodian. The contract with STT is set to expire in October 2025. The Trustee is underway with preparations to ensure a smooth transition to Northern Trust.

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 companies that the Scheme is invested in are engaged with.

Each year, the Trustee reports through a 'SIP implementation statement' on how the Scheme has adhered to the Trustee's investment principles. Alongside this, the Trustee produces an annual 'Responsible investment report' which goes into greater detail of how the stewardship activities outlined in the SIP have been followed, 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.

The 'SIP implementation statement' is available at **nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html**.

Financially material considerations

The Trustee has identified a range of 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 investing with Nest for.

One of the Trustee's investment beliefs is that: incorporating and acting upon climate risk and other 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.

In particular, 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 external investment managers, see **page 45**.

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 does consult with members on specific non-financial matters for the Nest Ethical Fund choice strategy. Their views are obtained using 'Your Way'[19] and then considered 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 or the default investment strategy.

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 align 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'[20] and annual 'Responsible investment report'.[21]

19 'Your Way' is an online member community designed to provide the Trustee with 'always on' access to members to capture insights and learnings through polls and surveys, 1-2-1 in-depth interviews, online groups and Vox pops.

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

21 **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 due diligence 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' and 'Nest's global voting and engagement Policy'[22] 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[23] 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 every quarter.

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

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

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.

The Trustee's stewardship policy is detailed in its annual 'Responsible investment report'. 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'.

The Trustee is delighted to have maintained its signatory status to the UK Stewardship Code by the Financial Reporting Council. The UK Stewardship Code has 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. 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'. 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. The policy was reviewed in October 2024 which added a greater focus on the impacts on physical climate change.

In January 2022 the Trustee published a climate change roadmap which sets out near-term commitments to cut scope 1 and scope 2 emissions by 30% from listed equity and fixed-income asset class portfolios by 2025, and to halve the portfolio's carbon footprint by 2030. The roadmap will be reviewed in the coming year

As part of the 'Climate change policy', the Trustee has committed to reporting progress annually through a report in line with the 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.

Investment developments

Financial markets navigated a complex and shifting landscape in 2024/25, shaped by persistent inflation, changing interest rate expectations, and renewed geopolitical tensions. While easing inflation and strong corporate earnings supported returns, particularly in developed markets, volatility remained a constant theme, with late-year political developments and trade uncertainties weighing on sentiment.

Despite this backdrop of global uncertainty, the long-term performance of the Scheme's funds has remained positive.

Nearly 99% of Scheme members are invested in the Scheme's default investment strategy, the Nest Retirement Date Fund series. The Trustee's long-term performance objective for the Nest Retirement Date Funds during the growth phase is to outpace inflation, as measured by the consumer price index (CPI), by 3%. With inflation continuing to persist throughout the year, the environment was more challenging for investors.

For the five years ending 31 March 2025, the Nest 2045 Retirement Date Fund, which currently represents the growth phase of the default strategy (see **page 43**), had annualised returns, net of members' annual management charge and transaction charges, of 9.9%. CPI plus 3.0% for the same five-year period was 7.8%. The Nest 2045 Retirement Date Fund's 10-year annualised return to 31 March 2025 was 7.2%, compared with CPI plus 3% of 6.3% over the same period. The Nest 2045 Retirement Date Fund achieved annualised one year returns of 5.9%, which is above the fund's benchmark of CPI plus 3% for the same period (5.7%).

The global investment landscape

Over the past year, financial markets have been shaped by shifting expectations around inflation, interest rates, and economic growth. Despite ongoing volatility and pockets of uncertainty, many risk assets delivered strong performance through much of 2024, with developed market equities in particular generating solid returns.

Resilient economic data from the US and a strong corporate earnings season helped support investor confidence in the first half of the year. Inflation, while still elevated, began to ease, raising hopes that central banks would soon start cutting interest rates. This optimism helped drive markets higher, with the US stock market, led by the tech sector, reaching new all-time highs and global bond markets rallying on the back of anticipated policy easing.

Sentiment on emerging markets remained fragile in the early part of the year, particularly in China, where concerns over sluggish growth and muted stimulus efforts weighed on performance. However, a shift in tone from Chinese policymakers later in the year sparked a late rally in equities, helping to narrow the gap with developed markets.

By the end of 2024, some of that optimism started to fade. While the Fed, Bank of England, and the European Central Bank (ECB) all started lowering rates, persistent inflation in the US and UK, and political developments – including the return of Donald Trump to the US presidency – led to renewed volatility. US stocks benefited from Trump's pro-growth policies, but emerging and European markets came under pressure. Meanwhile, bond markets struggled under the weight of Trump's potentially inflationary policies and growing US debt sustainability concerns.

While 2024 delivered strong returns across many asset classes, the early part of 2025 has highlighted the fragility of market sentiment. Market dynamics have shifted again, as US equities sharply underperformed emerging and international stocks. This rotation is mainly attributed to the release of a low-cost, high-performance AI model from a Chinese competitor and the optimism around fiscal spending in Europe.

Meanwhile, weaker US economic data and uncertainty around the implications of the Trump administration's trade tariffs has weighed on US assets. The stagflationary nature of tariffs puts the Fed in a difficult position. The Trustee expects them to stay in a 'wait and see' mode for the time being unless there are signs of significant economic weakness or financial market stress.

Policy uncertainty, trade tensions, and slowing growth with the odds of a US recession rising, are expected to remain key themes in the months ahead. The combination of geopolitical uncertainty and a more fragmented policy backdrop also creates a more complex outlook going forward. The Trustee anticipates that market conditions will stay volatile, with high valuations and an uneven global recovery posing challenges.

In this environment, the Trustee believes a diversified portfolio – resilient to shocks and not overly dependent on any one market – remains the most effective way to navigate uncertainty and deliver long-term value for members.

Trustee's investment beliefs

The Trustee has set out clear investment beliefs guiding the development of its investment strategy. There are nine beliefs outlined in the SIP:

- An expert, well-resourced and well-governed in-house investment function will deliver better long term investment outcomes for members than a wholly outsourced solution.
- Rigorous and careful selection of investment managers and effective monitoring and evaluation of their activities can provide additional value to members.
- Strategic asset allocation is the most important contributing factor to long term performance.
- Long term investors earn better returns net of costs as they can invest in assets with higher risk premia, notably equity and illiquidity risk. The Scheme's membership profile means it is well positioned to take advantage of this.
- Members have different objectives throughout their time investing with the Scheme – 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.
- Investors who are cash flow positive for long periods can utilise this as an additional source of value.
- Incorporating and acting upon climate risk and other ESG factors is a significant driver of investment outcomes.
- Acting as responsible long-term stewards has a positive and broad impact on member outcomes.
- Building and maintaining members' trust in the Trustee's investment approach throughout their time saving with the Scheme will support better retirement outcomes.

These beliefs are reviewed at least once every three years. The last formal review took place July 2023.

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 the Scheme for decades. 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:

- In February 2025, the Trustee announced the establishment of a new strategic partnership with the global capital investor IFM. The Trustee and IFM will develop investment strategies that will enable the Scheme to pursue new private market investments, particularly new opportunities in the UK. This new partnership will play an important role as the Trustee increases the Scheme's private market allocation up to 30%.
- The Trustee announced a new partnership with L&G and PGGM in September 2024 to collectively invest money into building 'Built-to-Rent' properties across the UK. The first site – Deansgate, Manchester – was publicly confirmed March 2025, in which the current brownfield site will be transformed into nearly 500 high-quality rental homes.

- Campbell Global was fully onboarded in August 2024 to manage a timberland mandate on behalf of the Scheme. This will help provide a strategic asset allocation for the Trustee to devise its long-term investment strategy and will be part of its expanding private market allocation.
- The Trustee concluded real estate investment trusts (REITs) were no longer required in the real estate portfolio and instructed the investment manager, Legal & General Investment Management (LGIM), to gradually wind down the portfolio's exposure. The monies made from selling will be directed to the LGIM Managed Property Fund. This process started in March 2024 and is likely to fully complete in Q4 2025.
- In November 2024, the Trustee changed the configuration of the Sharia Fund to ensure members who wish to invest according to Islamic principles have access to a more diversified fund. Previously, the Sharia Fund comprised of one mandate investing in an Islamic Global Equity Index fund. The fund has been enhanced by allocating 30% to sukuks, an Islamic financial certificate similar to a bond, while retaining 70%in equities.

UK investment

The UK is a major investment market for the Scheme. The Trustee recognises that members should 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.

A thriving UK economy helps boost salaries, which boosts contributions and boosts pension pots. As of 31 March 2025, the Scheme had £10.6 billion invested in the UK, representing around 21% of total net assets.

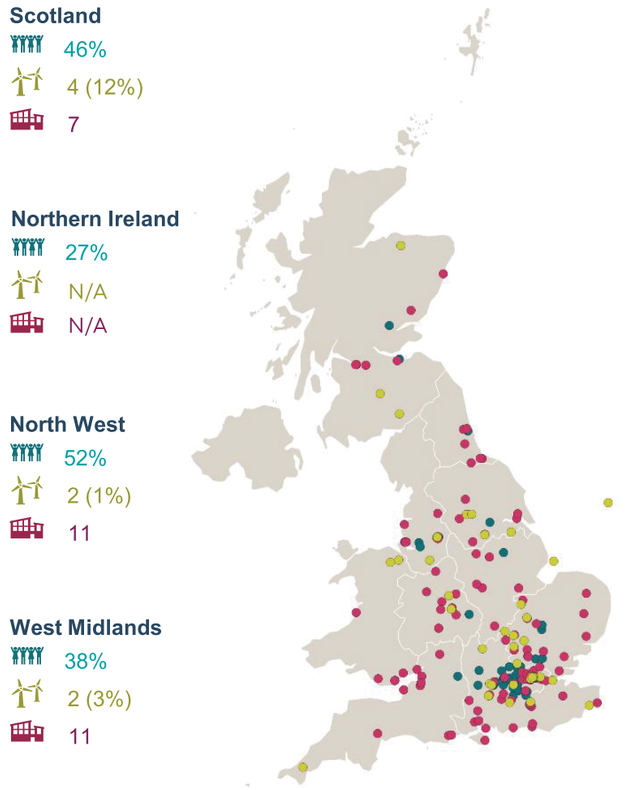
The Scheme has been one of the pioneers for defined contribution pension schemes in investing in unlisted assets, much of it here in the UK, and will continue to look for ways to use these assets to enhance returns for members both pre – and post-retirement. In particular younger members, who are a long way from retirement, have a high capacity for investing in illiquid assets and the benefits this can bring them.

The Scheme has partnered with The Good Economy (TGE) to explore ways to assess the impact it is having on the UK economy through its investment portfolios. As part of this research, TGE has mapped out the physical assets the Scheme has in the UK – see the graph below. The Trustee is exploring ways to regularly update this information and how it can share this with members.

Key figures (as of 30 September 2024):

- The top 50 UK and top 50 international public equity and bond holdings in the Scheme's portfolio were analysed. In total, these companies employ 1.26 million people, representing 1 in 21 UK private sector jobs. Two in three of these companies had increased their UK employment over the last three years.
- All of the Scheme's private market investments were found to support areas of national policy helping deliver economic growth – it has invested in 42 Clean Energy and Infrastructure assets, 3 housing investments, and 6 private businesses in priority sectors.

Nest investment across the UK



Key:

Businesses (Public Equity / Bond) operating in the region

For the top 100 public equity and bond holdings in the portfolio, the percentage reflects the proportion of these holdings that maintain a presence in each respective region.

Number of Private Market assets (% of UK investment)

The number of private market assets in each region, with the corresponding percentage reflecting that region's share of total UK private market asset value.

Number of Real Estate assets

Number of real estate assets in each region.

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 the Scheme's funds, see 'Investment developments' on **page 50**. 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 2025	Objective or benchmark returns over one year to 31 March 2025	Annualised fund performance three years to 31 March 2025†	Annualised objective or benchmark returns over three years to 3 March 2025	Annualised fund performance five years to 31 March 2025	Annualised objective or benchmark returns over five years to 3 March 2025	Annualised fund performance ten years to 31 March 2025	Annualised objective or benchmark returns over ten years to 3 March 2025
		%	%	%	%	%	%	%	%
Nest Retirement Date Fund in the Growth phase†	CPI + 3%*	5.9	5.7	4.6	8.4	9.9	7.8	7.2	6.3
Nest Ethical Fund in growth phase	CPI + 3%**	(1.0)	5.7	1.2	8.4	6.8	7.8	7.0	6.3
Nest Sharia Fund	Dow Jones Islamic Titans 100 Index	5.9	3.7	9.6	9.5	16.7	16.8	13.8	14.2
Nest Higher Risk Fund	***	5.5	-	4.3	-	11.0	-	7.9	-
Nest Lower Growth Fund	****	5.3	-	3.5	-	2.4	-	1.4	-
Nest Guided Retirement Fund – Vault	CPI	5.4	2.6	3.3	5.2	7.6	4.7	-	-
Nest Ready to Retire Fund	CPI	5.2	2.6	-	-	-	-	-	-

^ For the inception date of all Retirement Date Funds refer Appendix 2 on **page 92**.
† Nest 2045 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.
+ The three-year performance fell marginally short of investment objectives. This period included significant market volatility and elevated inflation/CPI driven by global supply chain disruptions, renewed geopolitical tensions, and tightening monetary policy. Despite this, the Scheme has delivered strong returns over the 1, 5, and 10-year periods, consistent with its long-term investment strategy.

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 2025 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 2025 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 as applied to other entities of public interest. 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, 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 38**, 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 **www.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

26 June 2025



Financial statements

Fund account for the year ended 31 March 2025

	Note	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Contributions and benefits			
Contributions – employers	3	3,388,887	3,039,934
Contributions – members	3	3,660,555	3,382,070
Contributions – HM Revenue & Customs	3	912,032	836,668
Transfers in	4	535,698	512,915
		8,497,172	**7,771,587**
Benefits	5	(753,909)	(542,761)
Transfers out	4	(955,358)	(577,225)
Administrative expenses	6	(278,386)	(231,535)
Net additions from dealings with members		**6,509,519**	**6,420,066**
Returns on investment			
Investment income and management fee rebates	7	729,991	601,077
Change in market value of investments	9.1	1,895,306	4,038,138
Taxation	8	(12,991)	–
		2,612,306	**4,639,215**
Net increase in the fund during the year		**9,121,825**	**11,059,281**
Net assets of the Scheme at the start of the year		**40,649,666**	**29,590,385**
Net assets of the Scheme at the end of the year		**49,771,491**	**40,649,666**

The notes on **page 64 to 85** are an integral part of these financial statements.

Statement of net assets (available for benefits) as at 31 March 2025

	Note	31 March 2025 £000	31 March 2024 £000
Assets and liabilities allocated to members			
Investment assets			
Equities	9.1	22,515,962	19,757,320
Bonds	9.1	6,372,093	5,029,100
Pooled investment vehicles	9.1	19,918,790	15,079,892
Derivatives	9.9	280,189	33,853
Cash, cash collateral and spot FX	9.1	314,673	246,955
Other investment assets	9.4	200,803	137,521
Total investment assets		**49,602,510**	**40,284,641**
Investment liabilities			
Derivatives	9.9	(42,139)	(37,144)
Other investment liabilities	9.4	(325,009)	(119,948)
Total investments		**49,235,362**	**40,127,549**
Net current assets			
Current assets	10.1	646,862	603,195
Current liabilities	10.1	(117,554)	(84,718)
Total net assets allocated to members		**49,764,670**	**40,646,026**
Assets and liabilities not allocated to members			
Net current assets			
Current assets	10.2	7,800	4,116
Current liabilities	10.2	(979)	(476)
Total net assets not allocated to members		**6,821**	**3,640**
Total assets of the Scheme at the end of the year		**49,771,491**	**40,649,666**

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 62 to 63**, including the notes to the financial statements on **page 64 to 85**, were signed on behalf of Nest Corporation by:

Brendan McCafferty
Chair, Nest Corporation

26 June 2025

Myfanwy Barrett
Chair, Audit committee

26 June 2025

The notes on **page 64 to 85** 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 Pensions Research Accountants Group (PRAG) '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 86**.

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 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 was financed in part through a loan agreement with the DWP. The Trustee has evidenced its ability to continue to meet the loan repayment requirements and demonstrated continued support from the DWP.

  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.
- **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. The Trustee's public service obligation remains in place to provide a workplace pension scheme to any employer that requires one. TPR expects employers to continue to comply with their auto enrolment duties.
- **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.

2.7 Taxation

The Scheme 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 respectively. Tax charges are accrued as follows:

- 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 separately as an expense (refer note 8 below).

– The Scheme recognizes irrecoverable overseas capital gains tax (CGT) incurred, in accordance with the relevant tax regulations and treaties between the United Kingdom and certain overseas jurisdictions. These expenses arise from the disposal of investments held in certain overseas markets.

The Scheme accrues for irrecoverable CGT expenses to ensure compliance with all applicable foreign tax laws and to minimize the tax impact on the Scheme's overall performance. Foreign tax expenses are accounted for as part of the Scheme's investment expenses and are disclosed separately in the financial statements (refer note 8 below) to provide transparency regarding the nature and amount of these expenses.

2.8 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.

2.9 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 (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 9.4 below) in line with the management fees charged, and then paid into the Scheme monthly.

2.10 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.

2.11 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 2025 £000	Year ended 31 March 2024 £000
Contributions from:		
Participating employers	3,392,000	3,043,306
less employers' share of refund of contributions for members opting out	(3,113)	(3,372)
	3,388,887	**3,039,934**
Members	3,664,197	3,385,945
less members' share of refund of contributions for members opting out	(3,642)	(3,875)
	3,660,555	**3,382,070**
HM Revenue and Customs	912,053	836,706
less HMRC share of refund of contributions for members opting out	(21)	(38)
	912,032	**836,668**
Total	**7,961,474**	**7,258,672**

4. Transfers in and transfers out

	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Transfers in – registered pension schemes	525,709	505,577
Transfers in – pension sharing order	9,989	7,338
Total transfers in	**535,698**	**512,915**
Transfers out – registered pension schemes	(954,621)	(576,800)
Transfers out – pension sharing order	(737)	(425)
Total transfers out	**(955,358)**	**(577,225)**

5. Benefits

	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Uncrystallised funds pension lump sum (UFPLS)	404,674	249,913
Commutations and lump sum retirement benefits	292,277	256,092
Death benefits payable to beneficiaries	48,028	31,919
Serious ill health benefits	4,514	2,981
Annuities purchased through open-market option	4,416	1,856
Total	**753,909**	**542,761**

6. Administrative expenses

	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Contribution charge	142,699	129,861
Annual management charge	135,525	101,615
Sundry costs paid out in line with the Order & Rules	162	59
Total	**278,386**	**231,535**

7. Investment income and management fee rebates

	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Dividends from equities	413,841	357,510
Income from bonds	273,280	187,677
Income from pooled investment vehicles	10,514	54,756
Income from stock lending	3,798	924
Investment income	**701,433**	**600,867**
Management fee rebates	28,558	23,053
Irrecoverable withholding tax	–	(22,843)
Total	**729,991**	**601,077**

8. Taxation

	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Irrecoverable withholding tax	12,308	–
Irrecoverable overseas capital gains tax	683	–
Total	**12,991**	**–**

9. Investments

9.1 Investment movements

	Note	B'fwd as at 1 April 2024 £000	Purchases at cost and derivative payments £000	Sales proceeds and derivative receipts £000	Change in market value £000	C'fwd as at 31 March 2025 £000
Equities		19,757,320	4,796,610	(2,604,795)	566,827	22,515,962
Bonds		5,029,100	4,043,677	(2,674,890)	(25,794)	6,372,093
Pooled investment vehicles	9.2	15,079,892	18,890,604	(15,015,169)	963,463	19,918,790
Derivatives – futures	9.9	6,793	110,009	(151,500)	36,387	1,689
Derivatives – forward FX contracts	9.9	(10,084)	1,517,603	(1,532,306)	261,148	236,361
		39,863,021	**29,358,503**	**(21,978,660)**	**1,802,031**	**49,044,895**
Cash, cash collateral and spot FX		246,955			94,859	314,673
Other investment assets	9.4	137,521			(1,195)	200,803
Other investment liabilities	9.4	(119,948)			(389)	(325,009)
Total investments		**40,127,549**			**1,895,306**	**49,235,362**
Represented by:						
Allocated to members		40,127,549				49,235,362
Not allocated to members		–				–
Total investments		**40,127,549**				**49,235,362**

9.2 Pooled investment vehicles

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

	31 March 2025 £000	31 March 2024 £000
Undertakings for collective investment in transferable securities (UCITS)	8,507,381	6,385,326
Unit-linked insurance contracts	5,878,720	4,782,576
Shares in limited partnerships	4,550,150	3,074,101
Reserved alternative investment funds (RAIF)	970,966	837,889
UK pooled/commingled funds	11,573	–
Total	**19,918,790**	**15,079,892**

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

	31 March 2025 £000	31 March 2024 £000
Bonds	6,989,638	5,498,520
Cash	3,495,615	2,189,312
Property	3,319,313	2,802,091
Infrastructure equities	2,224,712	1,812,707
Private equity	1,715,659	799,105
Private credit	1,525,045	1,300,179
Equities	648,808	677,978
Total	**19,918,790**	**15,079,892**

The Scheme is a sole investor in 9 (2023/24:7) 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
- Campbell Global (Meadowlark Forestland) (from 17 September 2024)
- CBRE Infrastructure Equity
- HarbourVest Co-Investment L.P.
- LGIM DHAS Nest Mng Property Transition Fund (from 30 July 2024)
- 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 2025 £000	31 March 2024 £000
Property	2,810,337	–
Private equity	1,709,288	797,720
Private credit	1,402,294	1,265,017
Infrastructure equities	1,075,112	950,924
Cash	114,777	34,172
Derivatives	25,582	8,188
Total	**7,137,390**	**3,056,021**

9.3 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 2025 £000	31 March 2024 £000
UBS Asset Management (UK) Ltd	19,771,870	17,726,143
Allspring Global Investments (UK) Ltd	4,265,336	3,217,968
BlackRock Inc	4,201,248	2,830,664
Royal London Asset Management Ltd	4,019,533	3,245,433
Legal & General Investment Management Ltd	3,504,743	3,010,483
Amundi Asset Management	2,381,823	1,934,574
Northern Trust Global Investments Ltd	2,175,718	1,921,791
J.P. Morgan Asset Management (UK) Ltd	1,886,897	1,516,103
Octopus Investments Ltd	1,097,712	815,831
Schroders Capital Private Equity Wollestonecraft Management Ltd	1,041,528	479,264
CBRE Investment Management Inc	900,517	767,223
HarbourVest Partners	674,131	319,841
Lombard Odier Asset Management (Europe) Limited	644,666	-
BNP Paribas Asset Management Nederland NV	636,760	524,996
HSBC Global Asset Management (UK) Ltd	617,823	417,263
CoreCommodity Management LLC	380,807	401,577
Columbia Threadneedle Investments	331,695	313,748
Local Pensions Partnership Investments Ltd / GLIL	226,483	229,653
State Street Global Advisors Europe Ltd	206,199	184,232
Campbell Global LLC (from 17 September 2024)	55,700	-
Legal & General Property Limited (from 1 August 2024)	11,573	-
BlackRock Life Limited	11,322	6,687
Amundi (UK) Ltd	811	(453)
Total	**49,044,895**	**39,863,021**

9.4 Other investment balances

	31 March 2025 £000	31 March 2024 £000
Investment income accrued	126,969	103,878
Recoverable withholding tax	31,076	21,923
Management fee rebates receivable	14,344	6,390
Pending trades receivable	28,414	5,330
Other investment assets	**200,803**	**137,521**
Pending trades payable	(316,541)	(119,948)
Irrecoverable overseas capital gains tax accrual	(8,468)	-
Other investment liabilities	**(325,009)**	**(119,948)**

9.5 Investment assets allocated to members

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

	31 March 2025 £000	31 March 2024 £000
Nest Retirement Date Funds	46,358,177	38,183,957
Nest Higher Risk Fund	1,391,295	1,032,332
Nest Sharia Fund	617,835	416,721
Nest Ethical Fund	423,509	390,651
Nest Ready to Retire Fund	237,389	-
Nest Guided Retirement Funds	174,263	84,439
Nest Lower Growth Fund	32,894	19,449
Total	**49,235,362**	**40,127,549**

9.6 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.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

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

31 March 2025	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Equities	22,515,962	–	–	22,515,962
Bonds held in pooled investment vehicles	–	6,989,638	–	6,989,638
Bonds	515,295	5,856,798	–	6,372,093
Cash held in pooled investment vehicles	–	3,495,615	–	3,495,615
Property held in pooled investment vehicles	–	3,252,040	67,273	3,319,313
Infrastructure equities held in pooled investment vehicles	–	–	2,224,712	2,224,712
Private equity held in pooled investment vehicles	–	–	1,715,659	1,715,659
Private credit held in pooled investment vehicles	–	–	1,525,045	1,525,045
Equities held in pooled investment vehicles	–	648,808	–	648,808
Derivatives	1,689	236,361	–	238,050
	23,032,946	**20,479,260**	**5,532,689**	**49,044,895**
Cash, cash collateral and spot FX	314,673	–	–	314,673
Other net investment balances	(124,206)	–	–	(124,206)
Total	**23,223,413**	**20,479,260**	**5,532,689**	**49,235,362**

31 March 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Equities	19,757,320	–	–	19,757,320
Bonds held in pooled investment vehicles	–	5,498,520	–	5,498,520
Bonds	475,999	4,553,101	–	5,029,100
Cash held in pooled investment vehicles	–	2,189,312	–	2,189,312
Property held in pooled investment vehicles	–	2,802,091	–	2,802,091
Infrastructure equities held in pooled investment vehicles	–	–	1,812,707	1,812,707
Private equity held in pooled investment vehicles	–	–	799,105	799,105
Private credit held in pooled investment vehicles	–	–	1,300,179	1,300,179
Equities held in pooled investment vehicles	–	677,978	–	677,978
Derivatives	6,793	(10,084)	–	(3,291)
	20,240,112	**15,710,918**	**3,911,991**	**39,863,021**
Cash, cash collateral and spot FX	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**

9.7 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 40**. 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 9.3 on **page 72**.

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

To provide further assurance to members, the Trustee has established a robust governance framework to oversee and manage investment risks. This includes:

- **Regular risk reporting:** Nest Invest produces detailed risk reports that assess the Scheme's exposure to credit, currency, interest rate, and other market risks. These reports are reviewed by the Trustee and its investment committee.
- **Manager oversight and due diligence:** All investment managers are subject to ongoing performance and risk reviews. This includes formal annual reviews and ad hoc meetings where necessary.
- **Diversification strategy:** The Scheme's investment strategy is designed to avoid over-reliance on any single asset class, or region. This helps reduce the impact of any one risk factor on the overall portfolio.
- **Use of hedging strategies:** Where appropriate, the Scheme employs currency hedging to reduce unwanted exposures and volatility.

The Trustee remains committed to ensuring that the Scheme's investments are managed prudently and in the best interests of members. This includes continuously reviewing the effectiveness of its risk management processes and adapting them in response to changes in market conditions or regulatory expectations.

9.7.1 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.

The Trustee recognises the importance of managing this risk and has implemented a comprehensive framework to monitor and mitigate it.

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.

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 9.2 on **page 70** which details the underlying structures of the pooled investment vehicles, as at 31 March of the year under review.

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.

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 9.9 on **page 81**.

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 12 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.

The Trustee discloses the credit quality of its investments annually, as shown in the table below. This includes a breakdown of investment grade, non-investment grade, and unrated exposures across asset classes. The increase in unrated pooled investments reflects the Trustee's growing allocation to private markets, which are inherently less liquid but offer long-term return potential. These exposures are carefully managed through diversification and manager oversight.

Analysis of direct credit risk

31 March 2025	Investment grade £000	Non-investment grade £000	Unrated £000	Total £000
Bonds held in pooled investment vehicles	–	–	6,989,638	6,989,638
Bonds	4,476,608	1,895,485	–	6,372,093
Cash held in pooled investment vehicles	–	–	3,495,615	3,495,615
Equities held in pooled investment vehicles	–	–	3,319,313	3,319,313
Infrastructure equities held in pooled investment vehicles	–	–	2,224,712	2,224,712
Private equity held in pooled investment vehicles	–	–	1,715,659	1,715,659
Private credit held in pooled investment vehicles	–	–	1,525,045	1,525,045
Property held in pooled investment vehicles	–	–	648,808	648,808
Cash, cash collateral and spot FX	314,673	–	–	314,673
Derivatives - forward FX contracts	236,361	–	–	236,361
Total	**5,027,642**	**1,895,485**	**19,918,790**	**26,841,917**

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
Cash held in pooled investment vehicles	–	–	2,189,312	2,189,312
Equities held in pooled investment vehicles	–	–	677,978	677,978
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
Property held in pooled investment vehicles	–	–	2,802,091	2,802,091
Cash, cash collateral and spot FX	246,955	–	–	246,955
Derivatives - forward FX contracts	10,084	–	–	10,084
Total	**3,756,920**	**1,529,219**	**15,079,892**	**20,366,031**

9.7.2 Currency risk

The Scheme is subject to currency risk due to its investments in overseas markets, either directly through segregated mandates or indirectly via pooled investment vehicles. These exposures arise when assets are denominated in foreign currencies or derive their economic value from foreign markets.

To manage this risk, the Trustee employs a targeted currency hedging strategy, which aligns with the SIP and overall risk appetite. The Trustee sets currency exposure guidelines for the Scheme's investment managers as part of its investment strategy, balancing the benefits of global diversification with the risks of currency volatility. The hedging programme primarily focuses on developed market currencies, where exposures are most material and hedging is cost effective. The investment managers use forward FX contracts to hedge a portion of the foreign currency exposure.

In addition to direct exposures, the Scheme is also subject to indirect currency risk through its investments in pooled investment vehicles (refer note 9.7.4 below). These funds may hold assets denominated in foreign currencies or generate returns from overseas markets, even if the pooled investment vehicle itself is denominated in sterling. To mitigate this risk the Scheme's exposure is spread across multiple pooled investment vehicles, asset classes, and geographies, reducing the impact of any single currency movement.

The Scheme's total net unhedged exposure at year-end, which is consistent with the Trustee's long-term risk appetite, reflects a diversified global portfolio, and is in line with the SIP, was as follows:

	31 March 2025 £000	31 March 2024 £000
US dollar	18,990,199	16,173,941
Euro	3,524,477	2,861,181
Japanese yen	1,315,294	1,296,854
Hong Kong dollar	697,966	448,622
Canadian dollar	533,921	424,574
South Korean won	443,241	538,962
Swiss franc	424,804	404,299
Taiwan dollar	383,619	353,539
Indian rupee	364,262	314,936
Australian dollar	356,960	329,825
Swedish krona	130,853	125,299
Danish krone	106,400	145,640
Other currencies	862,373	799,922
	28,134,369	**24,217,594**
Less: Foreign currency hedging	(15,497,970)	(9,697,523)
Total	**12,636,399**	**14,520,071**

9.7.3 Interest rate risk

The Scheme is subject to interest rate risk on bonds held either directly as segregated investments or indirectly through pooled investment vehicles. The Trustee manages direct and indirect interest rate risk exposure by constructing a diverse portfolio of investments across various markets and sectors. This includes a mix of government bonds, corporate bonds, and private credit. The Scheme's investment managers actively manage the duration of bond portfolios to align with the Trustee's risk appetite and reduce sensitivity to interest rate fluctuations.

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 2025 £000	31 March 2024 £000
Bonds held in pooled investment vehicles	6,989,638	5,498,520
Bonds	6,372,093	5,029,100
Private credit held in pooled investment vehicles	1,525,045	1,300,179
Total	**14,886,776**	**11,827,799**

9.7.4 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 2025 £000	Currency risk	Other price risk	Interest rate risk	Credit risk
Amundi Funds Global Emerging Blended – IE	2,047,617	●	◐	●	●
Amundi Global Commercial Real Estate Debt Fund	334,206	◐	●	●	●
BlackRock Aquila Life 5-15 Years UK Gilt Index Fund	5,837	○	◐	●	◐
BlackRock Aquila Life Over 15 Years UK Gilt Index Fund	5,485	○	◐	●	◐
BlackRock ICS Sterling Liquid Environmentally Aware Fund	3,036,713	○	○	●	◐
BlackRock GBP Infrastructure Debt Fund	554,079	◐	●	●	●
BlackRock Institutional Sterling Ultra Short Bond Fund	610,456	○	◐	●	●
BNP Paribas Diversified Private Credit Fund	636,760	◐	●	●	●
CBRE Infrastructure Equity	900,517	●	●	○	◐
Campbell Global (Meadowlark Forestland)	55,700	●	●	○	◐
CT Responsible Global Equity Fund	227,663	●	●	○	◐
CT Responsible Sterling Corporate Bond Fund	104,032	◐	◐	●	●
GLIL Infrastructure Equity	226,483	◐	●	○	◐
HarbourVest Co-Investment L.P.	674,131	●	●	○	●
HSBC Islamic Global Equity Index Fund	421,145	●	●	○	◐
HSBC Global Funds ICAV – Global Sukuk UCITS ETF	196,678	●	◐	●	◐
LGIM Build-to-Rent	11,573	○	●	◐	◐
LGIM Managed Property Fund	41,625	○	●	◐	◐
LGIM LPI Income Property Fund	455,779	○	●	◐	◐
LGIM Sterling Liquidity Fund	252,703	○	◐	●	◐
LGIM DHAS Nest Mng Property Transition Fund	2,754,636	◐	●	◐	◐
Octopus Renewables Infrastructure Partnership V L.P.	185,832	●	●	○	◐
Octopus Infrastructure Renewables (Sky)	911,880	●	●	○	◐
Royal London Investment Grade Short Dated Credit	1,308,909	○	◐	●	●
Royal London Short Duration Gilt Fund (Class N – Acc)	347,969	○	◐	●	◐
Royal London UK Corporate Bond Pooled Pension Fund	2,362,655	○	◐	●	●
Schroders Private Equity Fund	1,041,528	○	●	○	●
SSGA Offshore USD Cash Fund	119,583	●	○	●	●
State Street GBP Liquidity Fund	86,616	○	◐	●	●
Total pooled investment vehicles	**19,918,790**				

● 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.

9.7.5 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 conducting thorough due diligence when selecting investment managers, and constructing a diverse portfolio of investments across various asset classes, sectors and geographies. In addition Nest Invest and the Trustee regularly review the performance and risk profile of the investment managers.

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

	31 March 2025 £000	31 March 2024 £000
Equities	22,515,962	19,757,320
Property held in pooled investment vehicles	3,319,313	2,802,091
Infrastructure equities held in pooled investment vehicles	2,224,712	1,812,707
Private equity held in pooled investment vehicles	1,715,659	799,105
Private credit held in pooled investment vehicles	1,525,045	1,300,179
Equities held in pooled investment vehicles	648,808	677,978
Derivatives – futures	1,689	6,793
Total	**31,951,188**	**27,156,173**

9.8 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 2025 £000	31 March 2024 £000
Blackrock ICS Sterling Liquid Environmentally Aware Fund	3,036,713	1,834,851
Representing (of total net assets)	**6.1%**	**4.5%**
LGIM DHAS Nest Mng Property Transition Fund	2,754,636	–
Representing (of total net assets)	**5.5%**	**–**
LGIM Hybrid Property Fund	–	2,416,069
Representing (of total net assets)	**–**	**5.9%**

9.9 Derivatives

Derivatives held at year-end were as follows:

	31 March 2025 Assets £000	31 March 2025 Liabilities £000	31 March 2024 Assets £000	31 March 2024 Liabilities £000
Futures	10,976	(9,287)	11,887	(5,094)
Forward FX contracts	269,213	(32,852)	21,966	(32,050)
Total	**280,189**	**(42,139)**	**33,853**	**(37,144)**
Total net derivatives		**238,050**		**(3,291)**

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
NYMEX Exchange (NYM)	86,244	less than 1 year	3,471	(428)
COMEX division of NYMEX (CMX)	57,237	less than 1 year	2,965	–
Intercontinental Exchange (ICE)	61,414	less than 1 year	1,578	(432)
Chicago Board of Trade (CBT)	354,292	less than 1 year	1,407	(4,156)
ICE Futures US Softs (NYB)	19,670	less than 1 year	1,358	(81)
LME Benchmark Monitor (LME)	42,198	less than 1 year	163	(716)
Chicago Mercantile Exchange (CME)	22,638	less than 1 year	34	(255)
EUREX	72,245	less than 1 year	–	(2,483)
Osaka Exchange (OSE)	25,907	less than 1 year	–	(736)
Total as at 31 March 2025	**741,845**		**10,976**	**(9,287)**
Total as at 31 March 2024	149,194		11,887	(5,094)
Total net futures as at 31 March 2025				**1,689**
Total net futures as at 31 March 2024				6,793

At the year-end, the counterparties had deposited £29,827k of US Treasury Bills (2023/24: £38,040k) and cash of £23,851k (2023/24: £23,150k) 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	21,075,551	US dollar	26,919,311	1 to 6 months	228,173	(8,876)
Pound sterling	1,338,090	Japanese yen	255,308,384	1 to 6 months	13,230	(162)
Pound sterling	551,211	Canadian dollar	1,010,553	1 to 6 months	6,827	(11)
Pound sterling	3,855,793	Euro	4,618,448	1 to 6 months	5,045	(17,755)
Pound sterling	379,212	Australian dollar	776,340	1 to 6 months	4,351	-
Pound sterling	504,117	Swiss franc	572,240	1 to 6 months	2,113	(10)
Pound sterling	127,427	Hong Kong dollar	1,264,621	1 to 6 months	1,461	(27)
Pound sterling	40,150	Israeli new shekel	187,433	1 to 6 months	1,171	(1)
Pound sterling	77,141	Singapore dollar	132,240	1 to 6 months	849	-
Pound sterling	13,964	New Zealand dollar	31,572	1 to 6 months	106	-
Pound sterling	173,289	Swedish krona	2,290,105	1 to 6 months	-	(3,502)
Pound sterling	131,666	Danish krone	1,179,540	1 to 6 months	-	(769)
Pound sterling	32,249	Norwegian krone	447,103	1 to 6 months	-	(633)
Pound sterling	19,820	Poland zloty	99,547	1 to 6 months	-	(56)
Other	Other			1 to 6 months	5,887	(1,050)
Total as at 31 March 2025					**269,213**	**(32,852)**
Total as at 31 March 2024					21,966	(32,050)
Total net forward FX contracts as at 31 March 2025						236,361
Total net forward FX contracts as at 31 March 2024						**(10,084)**

Included within net assets is £29,080k of cash (2023/24: £20,740k) in respect of collateral held on open forward FX contracts at year-end.

9.10 Transaction costs

Included within the purchases and sales of assets are transaction costs of £3,921k (2023/24: £4,197k), 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	211	758	1,816	2,785
Property held in pooled investment vehicles	517	5	149	671
Derivatives	-	220	-	220
Equities held in pooled investment vehicles	39	55	-	94
Private equity held in pooled investment vehicles	84	-	-	84
Infrastructure equities held in pooled investment vehicles	59	-	-	59
Bonds held in pooled investment vehicles	4	4	-	8
Total for the year ended 31 March 2025	**914**	**1,042**	**1,965**	**3,921**
Total for the year ended 31 March 2024	1,703	1,064	1,430	4,197

10. Current assets and liabilities

10.1 Current assets and liabilities allocated to members

	31 March 2025 £000	31 March 2024 £000
Contributions due from:		
Participating employers	148,082	153,039
Members	150,387	162,364
HM Revenue & Customs	145,076	133,918
Cash	203,317	153,874
Current assets	**646,862**	**603,195**
Benefits payable	**(75,086)**	**(50,700)**
Contributions yet to be allocated to member accounts or returned to employers	(35,846)	(22,198)
Annual management charge accrued	(4,065)	(10,012)
Other payables	(2,557)	(1,808)
Current liabilities	**(117,554)**	**(84,718)**
Net current assets allocated to members	**529,308**	**518,477**

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 £298,469k (2023/24: £315,403k). In respect of these outstanding contributions, it was all received by 31 May 2025 (2023/24: All received by 31 May 2024).

Employer-related investments

The balance at 31 March 2025 includes contributions due from employers totalling £278,700k (2023/24: £271,173k), which were received after their statutory due dates as required by the payment schedules. These represent employer-related investments at year-end of 0.6% of the Scheme's total net assets (2023/24: 0.7%), 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 90**.

10.2 Current assets and liabilities not allocated to members

	31 March 2025 £000	31 March 2024 £000
Cash	7,128	3,612
Other receivables	672	504
Current assets	**7,800**	**4,116**
Contribution charge payable	(449)	–
Other payables	(530)	(476)
Current liabilities	**(979)**	**(476)**
Total net assets not allocated to members	**6,821**	**3,640**

11. Contingent liabilities and contractual commitments

The following contractual commitments existed at year-end:

	31 March 2025 £000	31 March 2024 £000
Private equity held in pooled investment vehicles	1,496,700	1,060,025
Infrastructure equities held in pooled investment vehicles	1,309,867	227,319
Property held in a pooled investment vehicle	632,727	–
Private credit held in pooled investment vehicles	534,330	756,742
Equities	131,913	–
Total	**4,105,537**	**2,044,086**

12. 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 2025 £000	31 March 2024 £000
Value of stock on loan		
Bonds	882,560	385,795
Equities	475,151	395,103
Total	**1,357,711**	**780,898**
Collateral held		
Cash	663,383	357,257
Bonds	475,977	262,164
Equities	286,276	206,690
Total	**1,425,636**	**826,111**

13. 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 2024/25 was £278,224k (2023/24: £231,118k), of which £4,514k was outstanding at year-end (2023/24: £10,012k).

Nest Corporation is a participating employer in the Scheme. Contributions of £3,917k were payable by Nest Corporation to the Scheme during 2024/25 (2023/24: £3,290k).

Remuneration and pay for Board members is set by the Secretary of State for Work and Pensions. Total Board member remuneration for 2024/25 was £1,119k (2023/24: £973k) 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 (2023/24: 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
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 138 3944

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 138 3944

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: 0115 965 9570

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

Website: **maps.org.uk**



Appendices



Appendix 1

Top 100 investments

The top 100 investments as at 31 March 2025 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	Apple Inc	2.00
2	Microsoft Corp	1.72
3	Nvidia Corp	1.62
4	Amazon.com Inc*	1.09
5	Alphabet Inc	1.07
6	Meta Platforms, Inc	0.70
7	Berkshire Hathaway Inc	0.55
8	Tesla, Inc*	0.48
9	Eli Lilly and Company	0.45
10	Taiwan Semiconductor Manufacturing Co*	0.44
11	Broadcom Inc	0.43
12	JPMorgan Chase & Co	0.42
13	Hornsea 1	0.36
14	Woodside Industrial Estate, Dunstable	0.34
15	UnitedHealth Group Inc*	0.32
16	Mastercard Inc	0.31
17	The Industrial Property Investment Fund	0.29
18	Visa Inc	0.28
19	Walmart Inc	0.26
20	Johnson & Johnson	0.26
21	Tencent Holdings Ltd	0.25
22	Samsung Electronics Co, Ltd	0.25
23	The Home Depot, Inc	0.24
24	Costco Wholesale Corp	0.23
25	SAP SE	0.22
26	Procter & Gamble Company	0.21
27	SGN (Scotia Gas Networks Limited)	0.21
28	Netflix, Inc*	0.21
29	International Business Machines Corp	0.21
30	AbbVie Inc	0.21
31	Accenture plc	0.21
32	General Electric Company	0.20
33	Greenbelt Capital Partners Saber L.P.	0.20
34	West Cross Industrial Park, Brentford	0.20
35	Generate Capital, Inc	0.19
36	Bank of America Corp	0.19
37	Oracle Corp	0.19
38	UK Gilt 07/2029	0.19
39	RTX Corp	0.18
40	US Treasury Bill 22/04/2025	0.18
41	Siemens AG	0.18
42	Toyota Motor Corp*	0.17
43	Alibaba Group Holding Ltd	0.17
44	Kingsland Business Park, Basingstoke	0.17
45	Cisco Systems, Inc	0.17
46	Merck & Co, Inc	0.17
47	Wells Fargo & Co	0.17
48	AstraZeneca PLC	0.17
49	Sanctuary Buildings, London	0.17
50	Thermo Fisher Scientific Inc	0.16
51	US Treasury Bill 17/04/2025	0.16
52	Novartis International AG	0.16
53	Fremman 1 MM Co-Investment 6 Pall Mall 2 SCSp	0.16
54	Accelerate Global	0.16
55	Salesforce, Inc	0.16
56	Databank, Ltd	0.16
57	Prologis, Inc	0.15
58	Honeywell International Inc	0.15
59	US Treasury Bill 05/2034	0.15
60	Brigg	0.15
61	Visma AS	0.15
62	Natus Medical Inc	0.15
63	Shell plc	0.14
64	ASML Holding N.V.	0.14
65	Iberdrola, S.A.	0.14
66	The Coca-Cola Co	0.14
67	Novo Nordisk A/S	0.14
68	Welltower Inc	0.14
69	Hitachi, Ltd*	0.13
70	Abbott Laboratories	0.13
71	Schneider Electric SE	0.13
72	Ecolab Inc	0.13
73	PracticeTek	0.13
74	Chevron Corp	0.13
75	Vantage Data Centres	0.13
76	UK Gilt 01/2027	0.13
77	Booking Holdings Inc	0.13
78	EOG Resources, Inc	0.12
79	Santander UK plc	0.12
80	The Goldman Sachs Group, Inc	0.12
81	Rolls-Royce Holdings plc*	0.12
82	HSBC Holdings plc	0.12
83	Adobe Inc	0.12
84	Intuit Inc	0.12
85	Airbus SE*	0.12
86	Roche Holdings AG	0.12
87	ServiceNow, Inc	0.12
88	Commonwealth Bank of Australia	0.12
89	Strand Island Site, London	0.12
90	North Tower, Deansgate	0.12
91	CitySwitch	0.12
92	IBG	0.12
93	Nars Recap Investors LLC	0.12
94	Qualcomm Inc	0.12
95	Norled	0.12
96	Oasis International	0.12
97	HHBC Newco Holdings LLC	0.11
98	Allianz SE	0.11
99	Santa Co-Investment AB	0.11
100	S&P Global Inc	0.11

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 50**. 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 2025	Annualised fund performance three years to 31 March 2025	Annualised fund performance five years to 31 March 2025	Annualised fund performance ten years to 31 March 2025	Inception
	%	% ***	%	%	
UK CPI INDEX*	2.6	5.2	4.7	3.2	N/A
Nest 2024 Retirement Fund	5.2	3.7	5.8	5.0	August 2011
Nest 2025 Retirement Fund	5.4	3.8	6.3	5.4	August 2011
Nest 2026 Retirement Fund	5.5	4.0	7.0	5.8	August 2011
Nest 2027 Retirement Fund	5.6	4.1	7.6	6.2	August 2011
Nest 2028 Retirement Fund	5.7	4.2	8.2	6.5	August 2011
Nest 2029 Retirement Fund	5.8	4.4	8.8	6.7	August 2011
Nest 2030 Retirement Fund	5.7	4.4	9.3	6.9	August 2011
Nest 2031 Retirement Fund	5.7	4.4	9.6	7.1	August 2011
Nest 2032 Retirement Fund	5.7	4.4	9.7	7.1	August 2011
Nest 2033 Retirement Fund	5.7	4.5	9.8	7.2	August 2011
Nest 2034 Retirement Fund	5.7	4.6	9.8	7.2	August 2011
Nest 2035 Retirement Fund	5.7	4.6	9.8	7.2	August 2011
Nest 2036 Retirement Fund	5.7	4.6	9.8	7.2	August 2011
Nest 2037 Retirement Fund	5.7	4.6	9.8	7.2	August 2011
Nest 2038 Retirement Fund	5.7	4.6	9.8	7.2	August 2011
Nest 2039 Retirement Fund	5.7	4.6	9.8	7.2	August 2011
Nest 2040 Retirement Fund	5.7	4.6	9.8	7.2	August 2011
Nest 2041 Retirement Fund	5.7	4.6	9.8	7.2	August 2011
Nest 2042 Retirement Fund	5.8	4.6	9.9	7.2	August 2011
Nest 2043 Retirement Fund	5.8	4.6	9.9	7.2	August 2011
Nest 2044 Retirement Fund	5.8	4.6	9.9	7.2	August 2011
Nest 2045 Retirement Fund	5.9	4.6	9.9	7.2	August 2011
Nest 2046 Retirement Fund	5.9	4.6	9.9	7.2	August 2011
Nest 2047 Retirement Fund	5.9	4.6	9.9	7.2	August 2011
Nest 2048 Retirement Fund	5.9	4.6	9.9	7.2	August 2011
Nest 2049 Retirement Fund	5.9	4.6	9.9	7.2	August 2011
Nest 2050 Retirement Fund	5.9	4.6	9.9	7.2	August 2011
Nest 2051 Retirement Fund	5.9	4.6	9.9	7.2	August 2011
Nest 2052 Retirement Fund	5.9	4.6	9.9	7.2	August 2011
Nest 2053 Retirement Fund	5.9	4.6	9.9	7.2	August 2011
Nest 2054 Retirement Fund	5.9	4.6	9.9	7.0	August 2011
Nest 2055 Retirement Fund	5.9	4.6	9.9	6.9	August 2011
Nest 2056 Retirement Fund	5.9	4.6	9.9	6.7	August 2011
Nest 2057 Retirement Fund	5.9	4.6	9.9	6.7	August 2011
Nest 2058 Retirement Fund	5.9	4.6	9.9	6.7	January 2012
Nest 2059 Retirement Fund	5.9	4.6	9.6	6.5	January 2013
Nest 2060 Retirement Fund	5.9	4.6	9.4	6.5	January 2014
Nest 2061 Retirement Fund	5.9	4.6	8.5	6.2	January 2015
Nest 2062 Retirement Fund	6.0	4.6	8.1	-	January 2016
Nest 2063 Retirement Fund	6.0	4.8	7.8	-	January 2017
Nest 2064 Retirement Fund	6.0	4.6	7.7	-	January 2018
Nest 2065 Retirement Fund	6.0	4.6	7.7	-	January 2019
Nest 2066 Retirement Fund	6.1	4.6	7.7	-	January 2020
Nest 2067 Retirement Fund	6.1	4.6	-	-	January 2021
Nest 2068 Retirement Fund	6.2	4.6	-	-	January 2022
Nest 2069 Retirement Fund	6.1	-	-	-	January 2023
Nest 2070 Retirement Fund	6.1	-	-	-	January 2024
Nest 2071 Retirement Fund	-	-	-	-	January 2025
Nest Starter Fund**	6.3	4.7	7.8	5.8	August 2011
Nest Guided Retirement Fund – Later Life Fund	2.1	0.7	1.0	-	March 2020
Nest Guided Retirement Fund – Safe Fund	4.9	3.7	2.1	-	March 2020
Nest Guided Retirement Fund – Vault Fund	5.4	3.3	7.6	-	March 2020
Nest Guided Retirement Fund – Wallet Fund	4.9	3.9	2.3	-	March 2020
Nest Post Retirement Date Fund^	5.2	3.8	2.4	1.5	November 2013
Nest Ready to Retire Fund†	5.2	-	-	-	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 designed for members aged at least 60, regardless of pot size, who intend to convert their savings into one, or several, cash lump sums.

*** The three-year performance fell marginally short of investment objectives. This period included significant market volatility and elevated inflation/CPI driven by global supply chain disruptions, renewed geopolitical tensions, and tightening monetary policy. Despite this, the Scheme has delivered strong returns over the 1, 5, and 10-year periods, consistent with its long-term investment strategy.

Appendix 3

Transaction costs for the year ended 31 March 2025

These transaction costs have been disclosed in accordance with the Chair's governance report on **page 34**.

Fund	Average weighted transaction costs %
Nest 2024 Retirement Fund	0.031
Nest 2025 Retirement Fund	0.035
Nest 2026 Retirement Fund	0.038
Nest 2027 Retirement Fund	0.042
Nest 2028 Retirement Fund	0.046
Nest 2029 Retirement Fund	0.050
Nest 2030 Retirement Fund	0.053
Nest 2031 Retirement Fund	0.056
Nest 2032 Retirement Fund	0.057
Nest 2033 Retirement Fund	0.058
Nest 2034 Retirement Fund	0.058
Nest 2035 Retirement Fund	0.059
Nest 2036 Retirement Fund	0.059
Nest 2037 Retirement Fund	0.059
Nest 2038 Retirement Fund	0.059
Nest 2039 Retirement Fund	0.059
Nest 2040 Retirement Fund	0.059
Nest 2041 Retirement Fund	0.059
Nest 2042 Retirement Fund	0.059
Nest 2043 Retirement Fund	0.059
Nest 2044 Retirement Fund	0.059
Nest 2045 Retirement Fund	0.058
Nest 2046 Retirement Fund	0.059
Nest 2047 Retirement Fund	0.058
Nest 2048 Retirement Fund	0.059
Nest 2049 Retirement Fund	0.059
Nest 2050 Retirement Fund	0.059
Nest 2051 Retirement Fund	0.059
Nest 2052 Retirement Fund	0.059

Fund	Average weighted transaction costs %
Nest 2053 Retirement Fund	0.059
Nest 2054 Retirement Fund	0.059
Nest 2055 Retirement Fund	0.059
Nest 2056 Retirement Fund	0.059
Nest 2057 Retirement Fund	0.059
Nest 2058 Retirement Fund	0.059
Nest 2059 Retirement Fund	0.058
Nest 2060 Retirement Fund	0.057
Nest 2061 Retirement Fund	0.053
Nest 2062 Retirement Fund	0.051
Nest 2063 Retirement Fund	0.049
Nest 2064 Retirement Fund	0.047
Nest 2065 Retirement Fund	0.046
Nest 2066 Retirement Fund	0.045
Nest 2067 Retirement Fund	0.038
Nest 2068 Retirement Fund	0.042
Nest 2069 Retirement Fund	0.051
Nest 2070 Retirement Fund	0.049
Nest 2071 Retirement Fund	0.032
Nest Starter Fund	0.049
Nest Guided Retirement Fund – Later Life	0.015
Nest Guided Retirement Fund – Safe	0.011
Nest Guided Retirement Fund – Vault	0.083
Nest Guided Retirement Fund – Wallet	0.017
Nest Post Retirement Date Fund	0.006
Nest Ready to Retire Fund	0.034
Nest Ethical Foundation Fund	0.057
Nest Ethical Growth Fund	0.088
Nest Ethical Consolidation Fund	0.029
Nest Higher Risk Fund	0.075
Nest Lower Growth Fund	0.003
Nest Sharia Fund	0.038

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 member's 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 2024 Retirement Fund	13.0%	56.4%	21.7%	1.8%	1.2%	4.2%	1.3%	0.4%	100%
Nest 2025 Retirement Fund	13.0%	56.3%	21.8%	1.8%	1.2%	4.2%	1.3%	0.4%	100%
Nest 2026 Retirement Fund	12.3%	53.2%	25.0%	2.0%	1.3%	4.3%	1.4%	0.5%	100%
Nest 2027 Retirement Fund	11.3%	49.2%	29.3%	2.4%	1.4%	4.4%	1.5%	0.5%	100%
Nest 2028 Retirement Fund	10.3%	45.2%	33.7%	2.7%	1.5%	4.4%	1.6%	0.6%	100%
Nest 2029 Retirement Fund	9.2%	40.8%	38.2%	3.1%	1.7%	4.6%	1.7%	0.7%	100%
Nest 2030 Retirement Fund	8.1%	36.3%	42.6%	3.4%	2.1%	4.8%	1.9%	0.8%	100%
Nest 2031 Retirement Fund	7.4%	33.8%	44.8%	3.6%	2.4%	5.1%	2.1%	0.8%	100%
Nest 2032 Retirement Fund	6.8%	31.9%	46.2%	3.7%	2.8%	5.4%	2.3%	0.9%	100%
Nest 2033 Retirement Fund	6.4%	30.2%	47.7%	3.9%	3.0%	5.5%	2.4%	0.9%	100%
Nest 2034 Retirement Fund	6.0%	28.6%	49.1%	4.0%	3.2%	5.7%	2.5%	0.9%	100%
Nest 2035 Retirement Fund	5.6%	27.0%	50.8%	4.1%	3.3%	5.8%	2.5%	0.9%	100%
Nest 2036 Retirement Fund	5.5%	26.1%	50.9%	4.1%	3.7%	6.0%	2.7%	1.0%	100%
Nest 2037 Retirement Fund	5.4%	25.4%	51.0%	4.1%	4.0%	6.3%	2.8%	1.0%	100%
Nest 2038 Retirement Fund	5.3%	24.7%	51.0%	4.1%	4.4%	6.5%	3.0%	1.0%	100%
Nest 2039 Retirement Fund	5.2%	24.0%	51.0%	4.1%	4.8%	6.8%	3.1%	1.0%	100%
Nest 2040 Retirement Fund	5.1%	23.3%	50.9%	4.1%	5.2%	7.1%	3.3%	1.0%	100%
Nest 2041 Retirement Fund	5.1%	23.3%	50.6%	4.1%	5.4%	7.3%	3.3%	0.9%	100%
Nest 2042 Retirement Fund	5.2%	23.6%	49.8%	4.0%	5.6%	7.5%	3.4%	0.9%	100%
Nest 2043 Retirement Fund	5.2%	23.9%	49.0%	4.0%	5.8%	7.7%	3.5%	0.9%	100%
Nest 2044 Retirement Fund	5.2%	24.2%	48.2%	3.9%	6.1%	7.9%	3.6%	0.9%	100%
Nest 2045 Retirement Fund	5.2%	24.5%	47.7%	3.8%	6.3%	8.0%	3.6%	0.9%	100%
Nest 2046 Retirement Fund	5.3%	24.6%	47.3%	3.8%	6.3%	8.1%	3.7%	0.9%	100%
Nest 2047 Retirement Fund	5.3%	24.6%	47.3%	3.8%	6.3%	8.1%	3.7%	0.9%	100%
Nest 2048 Retirement Fund	5.3%	24.6%	47.3%	3.8%	6.3%	8.1%	3.7%	0.9%	100%
Nest 2049 Retirement Fund	5.3%	24.6%	47.3%	3.8%	6.3%	8.1%	3.7%	0.9%	100%
Nest 2050 Retirement Fund	5.3%	24.6%	47.3%	3.8%	6.3%	8.1%	3.7%	0.9%	100%
Nest 2051 Retirement Fund	5.3%	24.6%	47.3%	3.8%	6.3%	8.1%	3.7%	0.9%	100%
Nest 2052 Retirement Fund	5.3%	24.6%	47.3%	3.8%	6.3%	8.1%	3.7%	0.9%	100%
Nest 2053 Retirement Fund	5.3%	24.6%	47.3%	3.8%	6.3%	8.1%	3.7%	0.9%	100%
Nest 2054 Retirement Fund	5.3%	24.6%	47.3%	3.8%	6.3%	8.1%	3.7%	0.9%	100%
Nest 2055 Retirement Fund	5.3%	24.6%	47.3%	3.8%	6.3%	8.1%	3.7%	0.9%	100%
Nest 2056 Retirement Fund	5.3%	24.6%	47.3%	3.8%	6.3%	8.1%	3.7%	0.9%	100%
Nest 2057 Retirement Fund	5.3%	24.6%	47.3%	3.8%	6.3%	8.1%	3.7%	0.9%	100%
Nest 2058 Retirement Fund	5.3%	24.6%	47.3%	3.8%	6.3%	8.1%	3.7%	0.9%	100%
Nest 2059 Retirement Fund	5.3%	24.6%	47.3%	3.8%	6.3%	8.1%	3.7%	0.9%	100%
Nest 2060 Retirement Fund	5.3%	24.6%	47.3%	3.8%	6.3%	8.1%	3.7%	0.9%	100%
Nest 2061 Retirement Fund	5.3%	25.1%	46.2%	3.7%	6.6%	8.4%	3.8%	0.9%	100%
Nest 2062 Retirement Fund	5.4%	25.7%	44.8%	3.6%	7.0%	8.8%	3.9%	0.8%	100%
Nest 2063 Retirement Fund	5.4%	26.3%	43.3%	3.5%	7.5%	9.1%	4.1%	0.8%	100%
Nest 2064 Retirement Fund	5.5%	26.9%	41.8%	3.4%	7.9%	9.5%	4.2%	0.8%	100%
Nest 2065 Retirement Fund	5.6%	27.5%	40.2%	3.3%	8.3%	9.9%	4.4%	0.8%	100%
Nest 2066 Retirement Fund	5.6%	28.1%	39.0%	3.1%	8.7%	10.3%	4.5%	0.7%	100%
Nest 2067 Retirement Fund	5.7%	28.9%	36.9%	3.0%	9.3%	10.8%	4.7%	0.7%	100%
Nest 2068 Retirement Fund	5.7%	29.2%	36.4%	2.9%	9.4%	10.9%	4.8%	0.7%	100%
Nest 2069 Retirement Fund	5.7%	29.1%	36.5%	2.9%	9.4%	10.9%	4.8%	0.7%	100%
Nest 2070 Retirement Fund	5.7%	29.1%	36.5%	2.9%	9.4%	10.9%	4.8%	0.7%	100%
Nest 2071 Retirement Fund	5.7%	29.1%	36.5%	2.9%	9.4%	10.9%	4.8%	0.7%	100%
Nest Starter Fund	5.7%	29.1%	36.5%	2.9%	9.4%	10.9%	4.8%	0.7%	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	3.1%	65.1%	19.6%	–	5.1%	7.1%	–	–	100%
Nest Guided Retirement Fund – Wallet Fund	100.0%	–	–	–	–	–	–	–	100%
Nest Post Retirement Date Fund	28.4%	71.6%	–	–	–	–	–	–	100%
Nest Ready to Retire Fund	13.0%	56.5%	21.7%	1.7%	1.2%	4.2%	1.3%	0.4%	100%
Nest Ethical Foundation Fund	7.8%	35.7%	38.5%	–	7.8%	10.2%	–	–	100%
Nest Ethical Growth Fund	–	23.6%	57.5%	–	8.1%	10.8%	–	–	100%
Nest Ethical Consolidation Fund	15.1%	65.3%	19.6%	–	–	–	–	–	100%
Nest Higher Risk Fund	3.0%	12.3%	73.5%	5.9%	–	2.5%	1.4%	1.4%	100%
Nest Lower Growth Fund	28.4%	71.6%	–	–	–	–	–	–	100%
Nest Sharia Fund	–	31.8%	68.2%	–	–	–	–	–	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 £23,100 (based on an illustrative member), real qualifying earnings of £16,860 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)		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	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	1,374	1,347	1,360	1,333	1,374	1,347	1,374	1,347	1,374	1,347	1,345	1,319
3	4,264	4,169	4,139	4,043	4,264	4,168	4,264	4,168	4,264	4,171	4,016	3,925
5	7,575	7,388	7,242	7,054	7,574	7,384	7,574	7,384	7,575	7,392	6,876	6,700
10	17,530	16,991	16,893	16,348	17,528	16,975	17,528	16,975	17,532	17,014	14,487	14,012
15	29,468	28,384	28,710	27,610	29,463	28,352	29,464	28,365	29,478	28,452	22,091	21,205
20	43,463	41,616	42,558	40,676	43,450	41,559	43,455	41,594	43,490	41,760	29,463	28,061
25	59,954	57,090	58,870	55,941	59,928	56,996	59,942	57,065	60,016	57,349	36,699	34,678
30	79,292	75,115	77,988	73,703	79,245	74,967	79,275	75,085	79,411	75,539	43,740	41,004
35	101,742	95,913	100,169	94,174	101,664	95,691	101,720	95,879	101,953	96,566	50,404	46,864
40	125,229	117,382	123,366	115,320	127,373	119,310	125,201	117,342	127,845	120,592	56,409	51,992
45	145,014	134,888	142,926	132,619	156,871	146,269	144,982	134,845	157,608	148,087	61,753	56,398

* 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 103**.

** 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 2025.

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 £26,300 (based on an illustrative member), real qualifying earnings of £20,060 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	1,634	1,603	1,634	1,602	1,634	1,602
3	5,073	4,960	5,073	4,958	5,073	4,959
5	8,750	8,531	8,750	8,526	8,750	8,529
10	18,950	18,351	18,948	18,332	18,949	18,341
15	30,207	29,053	30,200	29,011	30,524	29,347
20	40,897	39,032	40,884	38,978	43,450	41,504
21	42,912	40,889	42,898	40,834	46,266	44,139
22	44,876	42,690	44,862	42,634	49,174	46,856

	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	1,634	1,603	1,634	1,603	1,601	1,569
3	5,073	4,960	5,073	4,963	4,778	4,670
5	8,750	8,531	8,751	8,539	7,925	7,721
10	18,950	18,351	18,954	18,385	15,533	15,015
15	30,207	29,053	30,541	29,455	22,551	21,620
20	40,897	39,032	43,494	41,716	28,774	27,349
21	42,912	40,889	46,318	44,378	29,975	28,441
22	44,876	42,690	49,235	47,123	31,170	29,525

* 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 103**.

** 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 2025.

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 £25,900 (based on an illustrative member), real qualifying earnings of £19,660 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	1,602	1,571	1,602	1,570	1,602	1,570
3	4,765	4,659	4,765	4,657	4,773	4,665
5	8,091	7,887	8,091	7,884	8,164	7,957
10	16,253	15,721	16,253	15,716	17,113	16,559
11	17,873	17,261	17,872	17,256	19,057	18,415
12	19,483	18,787	19,482	18,782	21,066	20,329

	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	1,602	1,571	1,602	1,571	1,569	1,538
3	4,765	4,659	4,773	4,669	4,492	4,390
5	8,091	7,887	8,165	7,966	7,387	7,196
10	16,253	15,721	17,117	16,599	13,964	13,493
11	17,873	17,261	19,063	18,464	15,234	14,696
12	19,483	18,787	21,074	20,389	16,498	15,889

* 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 103**.

** 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 2025.

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 £24,700 (based on an illustrative member), real qualifying earnings of £18,460 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	11,638	11,573	16,713	16,629	21,788	21,686
3	14,710	14,501	19,937	19,674	25,164	24,846
5	17,869	17,497	23,252	22,787	28,635	28,077
6	19,483	19,020	24,945	24,371	30,407	29,721
7	21,119	20,561	26,661	25,972	32,204	31,383
8	22,778	22,119	28,402	27,591	34,025	33,064

	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	26,863	26,743	31,938	31,800	37,013	36,856
3	30,391	30,018	35,618	35,190	40,846	40,362
5	34,018	33,368	39,401	38,658	44,784	43,948
6	35,869	35,071	41,331	40,421	46,794	45,772
7	37,746	36,794	43,288	42,205	48,831	47,616
8	39,648	38,536	45,272	44,009	50,895	49,481

* 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 103**.

** 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 2025.

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	6% throughout
	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% throughout
	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%

* The FRC sets out proposed accumulation rates based on volatility ranges. To determine which group our strategies are placed in, the FRC requires us to calculate the volatility over the last 5 years and apply the prescribed accumulation rate set by the FRC. This is a standardised set of criteria used to set these rates across the entire industry.

Appendix 6

The 'Statement of investment principles' (SIP) printed here is the latest version (which was approved by the Board in December 2024), 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 86**.

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 latest 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 where relevant and 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 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 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 invest outside 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 principal risks, including investment performance risk, to which it is exposed. The register rates the impact and likelihood of the risks, and summarises existing mitigations and additional actions. The investment performance principal risk is reviewed quarterly by the investment committee. Details on the types of risks reviewed 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 risks. 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, liquidity, 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 investment decision making. These beliefs act as a guide to enable effective delivery of all investment functions. The beliefs are reviewed at least once every three years. 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 different 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 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.

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 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 member's 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 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

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 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

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 sub-funds primarily 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 Ready To Retire Fund**. This fund invests 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. The Nest Ready To Retire Fund is available to all Nest members aged over 60, regardless of pot size.

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, we take it into account in the selection of new fund managers. When monitoring the performance of our fund managers, we also regularly consider and report to the investment committee 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 pre-industrial 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 a sustainable and predictable income 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.

Nest Ready To Retire Fund

A fund designed for members who:

- are over the age of 60,
- want to take their pots out in one, or as a series of withdrawals that they will manage themselves; and
- want to be invested in liquid and relatively low volatility 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 have pot sizes below £10,000 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 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 counter-cyclically provides better long term outcomes.
- Withstanding short-term investment shocks without being a forced seller, is likely to be advantageous for our members.
- Active rebalancing in times of market stress adds additional value.

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

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

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

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

9. Building and maintaining Nest members' trust in our investment approach throughout their time saving with us will support better retirement outcomes.

- Transparency and clear communications about how we invest promotes trust and leads to better member outcomes.
- Our members have agency as to where, when, and how much they save for their pension – we do not assume inertia is the same as indifference to the investment experience members have, or the way their capital is allocated.
- Member behavioural as well as socio-economic factors influence how we manage different risk premia at different times – this is complementary to our fiduciary responsibility to achieve the best risk adjusted returns to meet members' different investment objectives.
- As a large institutional investor, we can be increasingly circumspect about where and to whom we allocate members' capital; consideration of reputational risks and their impact on members' trust in Nest is a factor in some investment decisions.

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

Appendix 7

Glossary

AAF	Audit and Assurance Faculty Framework of the ICAEW
AMC	Annual Management Charge
BCDR	Business Continuity and Disaster Recovery plan
BTR	Build-to-Rent
CEO	Chief Executive Officer
CFA	Chartered Financial Analyst
CFO	Chief Financial Officer
CGT	Capital Gains Tax
CIO	Chief Investment Officer
CPI	Consumer Price Index
DC	Defined Contribution
DWP	Department of Work and Pensions
ECB	European Central Bank
ESG	Environmental, Social and Governance
ETF	Exchange Traded Fund
FCA	Financial Conduct Authority
FRS	Financial Reporting Standard
FX	Foreign Exchange
GAAP	Generally Accepted Accounting Practice
GLIL	GLIL Infrastructure LLP
HMRC	HM Revenue & Customs
ICAEW	Institute of Chartered Accountants in England and Wales
IDR	Internal Disputes Resolution procedure
IFM	IFM Investors
IRD	Intended Retirement Date
ISAE	International Standard on Assurance Engagements
L&G	Legal & General Group
LGIM	Legal & General Investment Management
LGPS	Local Government Pension Scheme
MaPS	Money and Pensions Service
NGRF	Nest Guided Retirement Fund
ONS	Office of National Statistics
OPS	Occupational Pension Scheme
OTC	Over The Counter derivatives
PLSA	Pensions and Lifetime Savings Association
PMI	Pensions Management Institute
PRAG	Pensions Research Accountants Group
RAIF	Reserved alternative investment funds
REITs	Real Estate Investment Trust
SIP	Statement of Investment Principles
SMPI	Statutory Money Purchase Illustration
SORP	Statement of Recommended Practice
SSGA	State Street Global Advisors
STT	State Street Bank and Trust Company
TCFD	Task Force on Climate-related Financial Disclosures
TCS	Tata Consultancy Services Ltd
TGE	The Good Economy
TPO	The Pensions Ombudsman
TPR	The Pensions Regulator
UCITS	Undertakings for Collective Investment in Transferable Securities
UFPLS	Uncrystallised Funds Pension Lump Sum



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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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