



nest

Corporate plan 2021–2024

—
Helping millions
enjoy a better retirement

nestpensions.org.uk



Cautionary statement

This document contains statements that are, or may be deemed to be, forward-looking statements with respect to Nest Corporation's financial condition.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'will', 'would', 'should', 'expects', 'intends', 'plans' or comparable terminology.

Forward-looking statements are not guarantees of future performance and no assurances can be given with regards to their accuracy. Forward-looking statements may not be realised due to factors including, but not limited to, changes in the economies and markets in which Nest Corporation operates, changes in the regulatory and competition frameworks in which Nest Corporation operates or the impact of legal or other proceedings against Nest Corporation.

All forward-looking statements made in this document, or made subsequently, which are attributable to Nest Corporation are expressly qualified in their entirety by the factors referred to above.

Nothing in this document should be regarded as a forecast of future financial performance.

All figures used in this document are as at 31 March 2021 unless otherwise indicated.



We've grown to be the largest pension scheme by membership in the UK. This has advantages for our members. It gives them access to the kinds of investments that are usually only available to the largest investors.



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CEO's statement



Helen Dean, CBE
Chief Executive Officer

This year, as we mark our 10th anniversary, around one in three working-age people in the UK have a pension pot with Nest. We work for them. Everything we do is driven by our paramount goal - to deliver bigger pensions in a better world.

Our journey so far

When auto enrolment brought millions into workplace pensions for the first time, Nest was set up to make sure every employer in the UK, big or small, and all their workers had somewhere good to save.

Our first member started saving in July 2011. Their first contribution was £19. Within two years, we had 80,000 members. Within three, we had a million. After a decade, we had 10 million.

At the end of the first year of staging large employers into auto enrolment, we were working with 347 employers. Not long after that, as medium-sized and then small businesses were brought into the new system, we were regularly enrolling over 1,500 employers a day. We built Nest as a digital-first scheme able to handle the weight of that demand, and our platform and services stayed rock-solid. Today, over 880,000 companies of all sizes across all of the UK are signed up with Nest.

As our customer base has grown over the years, so too have the assets we manage for our members' retirement. A decade after receiving that first £19 for a pension pot, we were managing over £19 billion in assets on behalf of our members.¹

We've grown to be the largest pension scheme by membership in the UK. This has advantages for our members. It gives them access to the kinds of investments that are usually only available to the largest investors. It means we can invest their money in a wider range of assets, so their pot has more chance of being cushioned from market volatility. It also means we pay less to invest their money, so more of their money is invested. Our scale helps us deliver value for members.

With our scheme administrator, Tata Consultancy Services (TCS), reliably at our side, we've delivered and improved on our services every step of the way. TCS has been a remarkable business partner, ensuring that we've been able to continue 'business as usual' for our customers despite the significant disruption caused by the global coronavirus pandemic.

And we've conducted industry-leading research into how to talk about pensions with first-time savers. We launched Nest Insight, our in-house research unit, to find ways to improve pensions not just for our members but also for the wider community of defined contribution (DC) savers.

Our dedication to service

We know from our research that our members want some stability in the expected growth of their pension pot. We designed our diversified investment strategy to help ensure their pots would be cushioned from some of the impact of market fluctuations. This has delivered strong returns, with five-year annualised returns of 9.8% in the growth phase of our flagship default strategy, the Nest Retirement Date Funds, as at 31 March 2021.

We continually ask our members how we can make it easier for them to access and understand their pension pot. We do this through our Members' Panel and our regular 'Voice of the customer' surveys as well as our online member community 'Your way'. We've launched tools, like our new member dashboard, to put important information at their fingertips.

We also listen closely to the needs of the employers using Nest and their advisers, learning from our Employers' Panel, surveys and one-on-one interactions. When employers told us they wanted more control over their pensions administration, we built a fully automated online tool for them to set up and manage pensions for their workers. When payroll providers and accountants asked us to make it easier to administer pensions across huge numbers of clients, we built an innovative web service that works alongside their existing software.

We have six guiding principles that define our member-focused approach. We call these principles 'the things that make Nest, Nest'. They've been threaded into everything we do as an organisation. We talk about these principles in more detail on page 14.

We also have a wider social purpose which spurs us to consider how we can improve the way the pensions industry works for everyone. We talk about this social purpose on page 15.

We have regularly exceeded our investment objectives and maintained a high quality of governance, guided by the Board and the perspectives of our Members' Panel and Employers' Panel. Our master trust authorisation from The Pensions Regulator (TPR) and five straight years of 5 Star Ratings from Defaqto are testament to our high standards.

I wish to thank the Board, the Members' Panel, the Employers' Panel, TCS and our other key business partners as well as all of Nest's people for everything they've done to serve our members and serve them so well. In particular, I'd like to thank two members of the Board who stepped down at the end of their term this summer – Ian Armfield and Ron Jarman. Their service has been invaluable.

This summer we've welcomed two new Board members, Sarah Laessig and Myfanwy Barrett CB, who have been appointed by the Secretary of State for Work and Pensions. Both bring a wealth of experience ranging across pensions, finance and audit which will serve Nest well.²

We have much to be proud of – and a strong foundation for the next three years and beyond.



+143%

After we've helped it to grow, our first ever member contribution of £19 is now worth £46.22.

(Based on performance of 2040 Nest Retirement Date Fund cumulative to 30 June 2021, net of fees)

¹ These figures are as at July 2011 and 30 June 2021.

² For their biographies, visit nestpensions.org.uk/schemeweb/nest/nestcorporation/who-runs-nest/trustee-members.html

Our strategy for the next three years

We currently have five strategic priorities which guide our approach to achieving our mission: support strong member outcomes, deliver a good service to our customers, grow the business in the right way, deliver a sustainable business model and deliver a corporation fit for the future. These strategic priorities are outlined in more detail on page 16.

This year we are undertaking a strategic review. We do this every few years to ensure that our priorities are aligned with our customers' needs and reflect current economic circumstances. This review was still ongoing when this plan was being published, so any change to our strategic framework will be reflected in future corporate plans.

Over the past year, we've accomplished a great deal for our customers, despite the challenges of the pandemic. We built a new tool to allow employers to more easily transfer legacy pension arrangements for their workers into Nest should they wish to do so, and we appointed global digital transformation firm Atos as our next scheme administrator, starting in 2023.

We've already started working with Atos to ensure a smooth transition to the new platform. With them, we're thinking big about the tools and technologies we'll be able to offer members and employers in the future while consistently putting the highest priority on the security of our customers' data and assets. We're also undertaking an all-encompassing customer strategies review to guide this journey over the next few years.

We continue to be recognised as a leader in responsible investment and make progress towards the goals set out in our climate change policy.³ We've recently added investments in private infrastructure equity to our portfolio to give our members access to broader opportunities for growth while spreading risks across more asset types.



We're thinking big about the tools and technologies we'll be able to offer members and employers in the future.



³ nestpensions.org.uk/schemeweb/dam/nestlibrary/climate-change-policy.pdf

Building back after Covid-19

Of course, it's impossible to reflect on the first 10 years of Nest or our strategy for the next three years without acknowledging the impact of the pandemic.

The past year and a half has provided many challenges as well as many lessons in the power of resilience. As the UK economy and other economies around the world begin to emerge from lockdowns and other restrictions used to control the spread of the virus, we have an opportunity to build back better – one that we're embracing in earnest at Nest.

We're dedicated to building back better for all our customers. Foremost, this means listening closely to their changing needs and priorities. Unfortunately, some of the employers using Nest will continue to struggle as a result of the pandemic's aftershocks, and we'll do what we can to support their workers' continued pension saving.

We're also dedicated to doing our part as a large investor, representing our 10 million members, to ensuring that the global economy recovers from the pandemic stronger and more resilient. Being a responsible investor is an essential part of our investment beliefs. That's because we believe – and evidence shows – that well-run companies which look after their people and the planet are more likely to make money over the long term.

And we're dedicated to building back better within Nest Corporation to truly make it a corporation fit for the future. Delivering all scheme services through more than a year of working from home (WFH) has shown us that flexible working is not just feasible, it can also continue to foster talent development and employee dedication similar to levels seen in a traditional office environment. In our January 2021 staff survey, over 96% of our people said they go the extra mile to ensure they're contributing to the scheme's success.

As we mature as an organisation, our commitment to nurturing a diverse and inclusive workforce is more important than ever. We serve a wide range of customers. To better understand and serve them, we need to cultivate top talent who bring a variety of backgrounds, experience and perspectives to the table.

As well as being a pensions master trust, Nest is a public corporation accountable to Parliament through the Department for Work and Pensions (DWP). Our work contributes to the delivery of DWP's priority outcomes and, in service to this, we take a broad view on how to improve the financial wellbeing of our members and the wider universe of pension savers.

We're looking forward and we're looking ahead – dedicated to helping millions enjoy a better retirement over the next 10 years of Nest, and for many years beyond.

Helen Dean, CBE
Chief Executive Officer



Nest at 10

Nest, the National Employment Savings Trust, was set up by the government in 2010 to support the launch of auto enrolment in workplace pensions.

We received our first contribution into a member pension pot in July 2011. It was £19. Ten years later we had more than £19 billion in assets under management for the new generation of pension savers.

From £19 to £19 billion, supporting bigger pension pots for people*



2011

The first Nest member starts saving. Their first contribution is £19.

1

2012

The first group of employers is brought into the auto enrolment system.

800 100

2013

We manage £6 million in assets on behalf of our members.

80k 347

2014

We launch Nest Connect, allowing accountants and payroll providers to manage pensions for many employers through a single dashboard.

1m 5k

2015

We launch an innovative web service that integrates pensions admin with payroll software to make things easier for employers.

2m 14k



2016

We manage £1 billion in assets on behalf of our members.

We create Nest Insight to find out how to make defined contribution pensions work better for people.

3m 85k

2017

We regularly set up 1,500 employers a day.

We launch our first climate-aware investment fund as part of the portfolio for our default strategy, the Nest Retirement Date Funds. The fund, managed by UBS Asset Management, moves members' money away from stock market investments in heavy greenhouse gas emitters and towards investments in green businesses in the UK and other developed markets.

4.5m 326k



2018

We see over £1 billion in annual contributions going into members' pots.

6.5m 613k

2019

With the introduction of auto enrolment complete, Nest provides a pension scheme for companies of all sizes all across the UK, from one-person TV set designers and leotard manufacturers to major supermarkets and utility companies.

We create Nest Invest, our wholly owned Financial Conduct Authority-regulated subsidiary, to provide advice as we add a wider range of asset types to our investment portfolio - opportunities that would typically be available only to wealthy private investors.

8m 713k

2020

We launch the Nest Guided Retirement Fund for members who wish to keep a portion of their pot invested for growth into their retirement.

We announce our net-zero climate change policy, immediately moving billions more into climate-aware investment strategies. The carbon footprint of the scheme's investments has been cut by the equivalent of taking more than 290,000 cars off the road.

9m 791k

2021

We manage £19 billion in assets on behalf of 10 million members. About one in three workers in the UK saves with Nest.

We debut a new member dashboard that puts everything people need to know about their Nest pot at their fingertips. And we're proud to provide continuous service to our members and employers throughout the global coronavirus pandemic.

9.9m 881k

Members
Employers

Nest's assets under management

£20bn

£15bn

£10bn

£5bn

0

*Annual figures as at 31 March. Assets under management were £19 billion as at 30 June 2021.

Key figures as at 31 March 2021

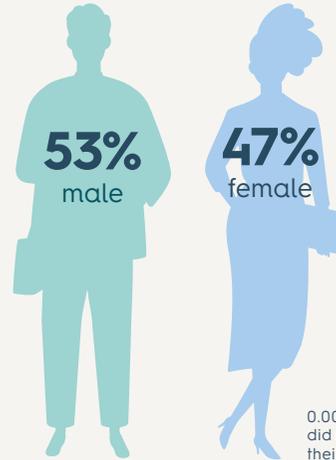
Scheme members



9.9m
members

4.3m
are active*

5.6m
are inactive†



53%
male

47%
female

0.008% of scheme membership did not have a gender listed on their scheme enrolment.

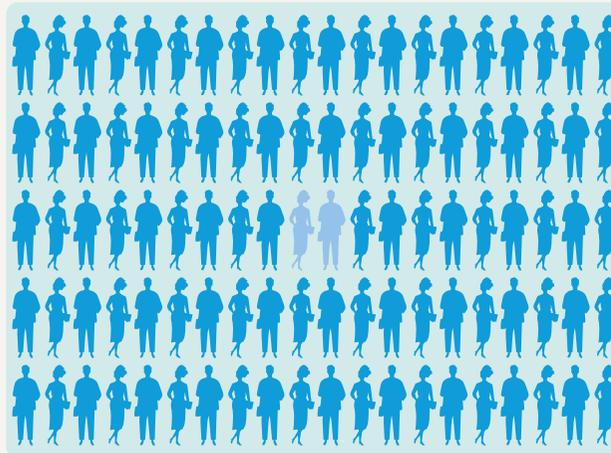


881k
employers

15.8k
self-employed
members

27k
Nest
Connectors[^]

98%
of employers
using Nest
have less
than 50
employees



Managing members money

Total annual contributions of £4.9bn



9.8%

Five-year rolling annualised returns in the 2040 Nest Retirement Date Fund* after annual management charges to 31 March 2021

* Active members are either employed workers enrolled in the scheme by their employer or self-employed workers who have enrolled themselves into the scheme. This excludes members who may have either left the employer that enrolled them, chosen to stop contributing or been transferred to a different provider by their employer.

† Inactive members are members of the scheme who have not retired, died or opted out but have either left their employment or have chosen to stop contributing.

[^] 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.

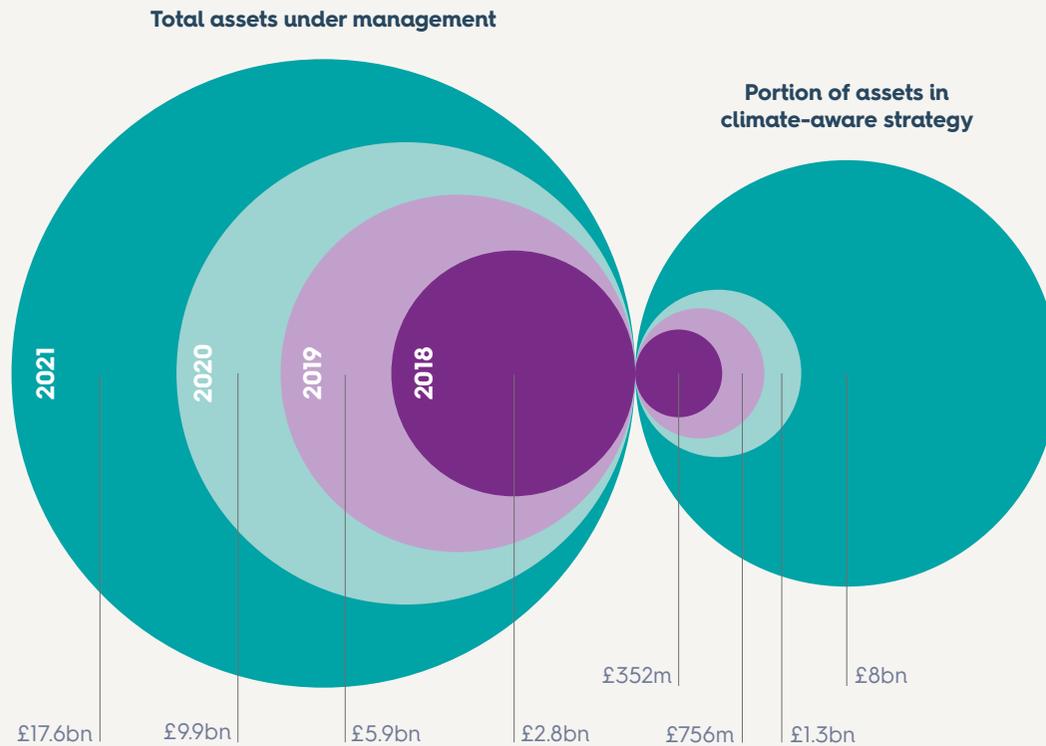
* The Nest scheme's default fund series, the Nest Retirement Date Funds, is 'lifestyled', where members' assets are managed according to their age as well as how markets are performing. There are four main phases in the lifestyled investment strategy: foundation, growth, consolidation and post retirement. The 2040 fund, for members expected to retire in 2040, is currently representative of the growth phase, which is where most members' money is invested for the longest period of time.

Our climate-aware strategy

Total net assets compared with members' investments in our climate-aware developed market equities strategy

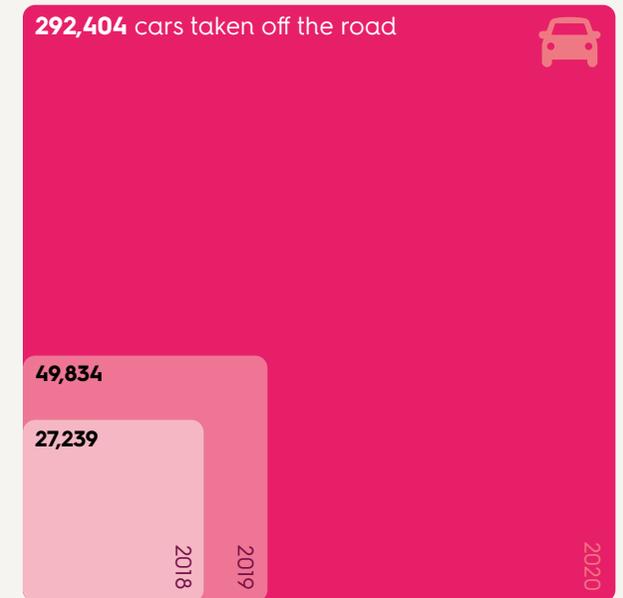
As Nest's total net assets have increased over the years, the proportion allocated to dedicated climate-aware strategies has increased.

Our climate-aware strategy helps to manage climate change risk by reducing investment in the biggest greenhouse gas and carbon emitters and investing more in green technology. In 2018 we had £351.5 million invested in our climate-aware strategy. As at 31 March 2021, we had £8 billion invested in this way.



Reducing our investments' carbon footprint

Up to December 2020, our climate-aware strategy helped reduce the carbon footprint of our members' investments by the equivalent of:



Source: UBS Asset Management (UK) Ltd, Trucost, US Environmental Protection Agency and International Energy Agency data up to 31 December 2020. Metrics are estimates based on model assumptions, for illustration purposes only.

Awards and recognition

In 2020/21 we won 11 awards and commendations for the scheme and the design of our investment strategy. We were also awarded a 5 Star Rating by Defaqto for the fifth year in a row.



Ultimate Default Fund
Best Master Trust
Best Default
ESG Strategy



Best Investment
Strategy



Rising Star
(Stephen O'Neill)



European Pension
Fund of the Year



Master Trust of
the Year



5 Star Rating for the
fifth year in a row



Long-Term Investment
Strategy Gold Award
Multi-Employer/
Professional Pension
Fund Silver Award
Commodities
highly commended
Climate Related Risk
Management
highly commended





The things that make Nest, Nest

We've identified six principles that guide the way Nest works for our members.



Built around customers' needs and behaviours

We'll build and deliver a product based on research and an expert understanding of the needs and behaviours of our customers – members, employers and intermediaries such as payroll providers and advisers. We'll use technology and best-in-class communication techniques to engage our customers in a timely, relevant and personal way.



Excellence in investments and governance

We provide excellence in investment practice and governance. We design and oversee expert investment strategies and invest responsibly and sustainably.



Low charges, and open to all employers

We use our scale to keep charges to members as low as possible. We ensure the Nest scheme is available for any employer that wants to use it.



Not for profit

We aspire to operate as a not-for-profit business over the long term. Once our loan from government has been repaid, our aim is that any surpluses generated should be reinvested in the interests of our members.



A broader social purpose

We're here to help millions enjoy a better retirement. Our responsibility is to our members, but also to a broader population of mass-market savers, including those already automatically enrolled as well as anyone who could benefit from saving for retirement but currently falls outside of auto enrolment legislation.



An organisation that lives our values

We show the same level of care to our employees as we do to our customers. We champion the scheme's values inside the organisation, making Nest a great place to work.

Our social purpose

We know many of our members are saving because they've been automatically enrolled in Nest and have not made an active choice to save. And we know that for many, the money they save comes out of a limited budget.

This means we have a responsibility to help our members achieve a better later life through high-quality investments and services, expert governance, low charges and value for money.

That's what we were set up to do. It's what motivates us. And it'll always be the most important part of our mission.

We also want to promote best practice, and help improve the way the wider pensions industry works for everyone.

And we want to consider how to help people who may not currently be automatically enrolled in a workplace pension scheme. People on irregular incomes and the self-employed might benefit greatly from having access to new ways to get into the habit of saving for retirement.

We're gaining a better understanding of these groups to help solve some of the challenges they face. Our in-house research unit, Nest Insight, conducts multi-method research and tests practical solutions to encourage saving in collaboration with partners around the world. Nest Insight's research findings are made freely available to the global academic and public policy communities to help improve the retirement outcomes of pension savers.

We also work with the government and public policy communities to advise on policy and regulatory changes that would benefit the broad population of mass-market savers.

By delivering on our social purpose – our responsibility to our members and others like them – we're making even more impact in helping millions enjoy a better retirement.



Our strategic priorities

Our strategic priorities describe how we'll work towards our mission.

We began a strategic review in 2021, not least to enable us to reflect on the implications of the dynamic economic circumstances we all find ourselves in. This work is ongoing. Any further changes to our strategic framework will be reflected in future corporate plans.



Support strong member outcomes

We'll grow members' assets and keep their data safe. We'll deliver a targeted approach to increasing member engagement, including at retirement, while continuing to focus on ensuring that the right retirement options exist to meet their needs.



Deliver a good service to our customers

We'll deliver a sustainable, high-quality service to all our customers - members, employers and intermediaries such as advisers and payroll providers.



Grow the business, in the right way

We'll ensure that we have a broad customer base while also remaining fully focused on the needs of our target membership of people on a low to moderate income.



Deliver a sustainable future business model

We'll implement our sustainable approach to service delivery through the safe and secure transition to the new administration service partnership. We'll maintain a cost-efficient business model to ensure we can repay our loan from government.



Deliver a corporation fit for the future

We'll continue to ensure that we have the right skills and expertise to deliver for our members, supported by a diverse and inclusive culture.



Performance highlights 2020/21

We measure our performance against our strategic priorities using a range of metrics. The figures shared here are as at 31 March 2021 or for the 2020/21 financial year. These are the springboard for our plans for 2021–2024.



Outcomes

Support strong member outcomes



Service

Deliver a good service to our customers

9.8%



Five-year rolling annualised returns in the 2040 Nest Retirement Date Fund after annual management charges to 31 March 2021

71%



Member satisfaction[^]

(from the 'Voice of the customer' survey December 2020)

99%



Service channels were available more than 99% of the time in 2020/21

74%



Employer satisfaction^{^†}

(from the 'Voice of the customer' survey March 2021)

[^]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.

[†] Due to a majority of UK employers working from home (WFH) during the pandemic, our annual employer survey in March 2021 was conducted using an online survey method. In previous years this survey was conducted by telephone. The change in method means that differences in scores year on year may reflect population sample differences rather than a change in employer sentiment.



Sustainable business model

Deliver a sustainable future business model

£4.9bn



Total annual contributions



Growth

Grow the business, in the right way

£406m



average per month in new contributions



Corporation

Deliver a corporation fit for the future

44%



of director-level roles (top two pay grades) are held by women, exceeding our Women in Finance Charter target of 30%

19%



Scheme income growth to £128m

6.5k



Net employers joined Nest on average each month

25%



of staff identify as being from a Black, Asian or another ethnic minority community

What we'll do to deliver our strategic priorities 2021-2024

Our strategic priorities describe how we'll work towards our mission. Here we outline what we'll do to achieve our current strategic priorities over the next three years.

Support strong member outcomes

Grow members' assets in a manner fit for our growing membership

In 2020/21, our investment performance exceeded our objectives. The 2040 Nest Retirement Date Fund, which is currently representative of the growth phase of our flagship default strategy for members, had five-year annualised returns after annual management charges of 9.8% as at 31 March 2021. This was significantly higher than the objective for these funds, which is to exceed inflation as measured by the consumer price index (CPI) by 3%. As at 31 March 2021 CPI plus 3% equalled 4.8%.

We'll continue to aim for strong risk-adjusted returns for our members so that they might enjoy a bigger pension in a better world. To that end, we'll continue to invest our members' assets responsibly.

This is in line with our 'Statement of investment principles'⁴, in which we set out that, as a long-term investor, we can improve risk-adjusted returns by considering environmental, social and governance (ESG) issues. The evidence shows that well-run organisations with sound environmental and social practices have a better chance of long-term success and profitability.

We've just completed our first year implementing our new climate change policy. As part of this, we've moved all our investments in developed market equities into a climate-aware fund. This tilts the scheme's investments away from high greenhouse gas emitters and towards green energy and other sustainable businesses. We're now shifting our emerging market equities portfolio into a climate-aware fund too. This means that more than half of assets in the Nest Retirement Date Funds in the growth phase will be invested in climate-aware funds.

⁴ nestpensions.org.uk/schemeweb/nest/aboutnest/investment-approach/statement-of-investment-principles.html

Over the next three years, we've set a number of other ambitious but achievable targets for decarbonising our portfolio and aligning it with the Paris Agreement's 1.5C target for limiting global warming. We'll be transparent with our members about our progress in seeking climate-related opportunities and reducing climate-related risks in our investment strategy. We'll publish an annual responsible investment report in line with the Financial Reporting Council's UK Stewardship Code⁵ and an annual climate change progress report in line with the Task Force on Climate-related Financial Disclosures (TCFD) framework.⁶

We also believe that adding new investment classes into the scheme's portfolio mix will afford better risk-adjusted returns for our members over the long term. Our investment strategy already includes a wide range of asset types, from easily traded, or liquid, investments like equities to more illiquid investments like property and credit to private business. We'll continue to extend our investment strategy into new areas, including new mandates for investments in infrastructure equity, starting in 2021/22.

⁵ nestpensions.org.uk/schemeweb/nest/aboutnest/investment-approach/responsible-investment/responsible-investment-reports.html

⁶ nestpensions.org.uk/schemeweb/dam/nestlibrary/TCFD-report-2021.pdf

Keep members' assets and data safe

We'll continue to manage and strengthen our internal controls to reflect the changing risk environment we operate in.

We continue to welcome the increased scrutiny brought to the master trust sector under the Pension Scheme Act 2017 and, going forward, the Pension Schemes Act 2021. We'll regularly report on our operations and controls to TPR under its master trust regime and require our key partners to maintain the same high standards of governance and controls as we do.



More than half of assets in the Nest Retirement Date Funds in the growth phase will be invested in climate-aware funds.



Deliver a targeted approach to member engagement

We've been heartened by the sustained level of pension saving after the final phased increase in minimum pension contributions and during the pandemic. At the same time, our recent 'Voice of the customer' surveys have found that only around one third of our members are confident they will save enough to retire comfortably.

To support our members, particularly as the economy recovers from the pandemic, we want to empower them to think about their level of saving and what they'll need or want in retirement. This is why we've recently introduced our new 'member account dashboard', which highlights key information for members in one place. We're dedicated to ensuring our members have easy access to essential information for retirement planning and decision-making, so their pension pot can be as simple to manage as their bank account.

We'll continue to deploy campaigns targeted to the diverse and evolving needs and priorities of our millions of members and improve the services we provide to them. We'll continue to develop our campaigns and member journeys based on feedback received through our regular 'Voice of the customer' survey programme, focus groups, the 'Your way' online member community and our Members' Panel.

Develop research and policy work to support our members' needs

We carry out research and public affairs work to benefit our members and the wider population of people who are or will be reliant on DC saving to fund their retirement.

We'll continue to provide evidence to Parliament, government and industry on key consultations and other policymaking. This includes working with DWP and the Money and Pensions Service (MaPS) to support the pensions dashboards programme and understanding of the longer-term impact of the pandemic on people's pension saving.

Our in-house research unit, Nest Insight, collaborates with academics and other pension and financial services providers from around the world to help understand and address the challenges facing Nest members and other DC savers. Each year they'll publish an edition of 'Retirement saving in the UK', a major research report analysing the experience of the large population of Nest members and employers in the auto enrolment system.

Among their projects over the next three years they'll also be building on their 'sidecar savings' trial to look at take-up and enrolment options and best practices in payroll-based emergency savings programmes, and how these can support longer-term financial security alongside workplace pension saving. In addition, they'll be testing responsible investment messages to see which messages might drive greater engagement among different groups of pension savers and sharing findings about the impact of the pandemic on people's saving attitudes and behaviour.

For more information see nestinsight.org.uk



We're dedicated to ensuring our members have easy access to essential information for retirement planning and decision-making, so their pension pot can be as simple to manage as their bank account.



Deliver a good service to our customers

We continue to successfully deliver on our public service obligation to help every UK employer, large or small, provide a good workplace pension for their employees. As at the end of 2020/21, over 880,000 companies from all across the UK, from one-person TV set designers and leotard manufacturers to major supermarkets and utility companies, were set up with us.

Each company's different and so are the people who work for them. We'll always listen to employers to understand what they need to make pension administration easier.

So over the next three years we'll continue our programme of 'Voice of the customer' surveys, which allow us to identify areas where we can still improve the quality and timeliness of our services to members, employers and intermediaries such as advisers and payroll providers. We'll also continue to seek the advice and feedback of our Employers' Panel and Members' Panel on ways to improve our services for customers.

Working closely with our valued scheme administration partner, TCS, and our next scheme administrator Atos, we'll maintain our high levels of service availability and customer satisfaction. We'll do this both as we continue to work from home and, over the coming months, as we transition back to an office environment with flexible working.

Grow the business, in the right way

Central to our public service obligation is our commitment to support pension saving among our target market of low and moderate earners who often did not have a current workplace pension before auto enrolment.

In June 2021 we began offering a new service which allows employers to transition all of their workers from an existing legacy pension arrangement into Nest, should they so wish. We'll work with each employer to ensure their bulk transfer exercise is completed effectively and efficiently, providing bespoke project planning and support.

We'll also continue to maintain our individual transfers solution for members who would like to consolidate their pension saving into one pot as part of their retirement planning or decision-making. This supports and builds on wider initiatives such as the market-wide pensions dashboards being developed by MaPS⁷ to allow savers to securely connect information about all of their pension pots.

⁷ pensionsdashboardsprogramme.org.uk

Deliver a sustainable future business model

Transition to our next scheme administration service

The term of our current contract for scheme administration services is coming to an end over the next three years. After a robust, competitive procurement process, in 2021 we announced that we had appointed global digital transformation firm Atos as our next scheme administrator. We plan to transition our customers to the new service platform in 2023.

We've already begun a dedicated programme to design the new service platform and carefully manage the migration of data and services, putting in place significant controls and milestones to help ensure a stable, secure and smooth transition for members, employers and intermediaries such as advisers and payroll providers.

Over the past decade, technology and customer interaction expectations have evolved significantly. The design of the new service platform aims to take advantage of the efficiencies that these technological advances offer to better serve our customers while at the same time driving down operational costs.

Maintain a cost-efficient business model

We're in a strong position to repay our loan from government in full within the anticipated timeframe. Total annual contributions into the scheme reached £4.9 billion in 2020/21, with total assets under management standing at £17.6 billion as at 31 March 2021.

Over the next three years we'll continue to focus on delivering value for members. Our transition to our next scheme administration platform aims to increase the efficiency of our customer services while reducing costs. We'll also monitor the after-effects of the pandemic, including how the ending of government support programmes such as the Coronavirus Job Retention Scheme (CJRS) affect pension contributions and our financial performance.



6m

financial transactions processed safely and securely every month (average over six months up to July 2021)

Deliver a corporation fit for the future

Maintain strong standards of governance

Nest is a trust-based occupational master trust pension scheme set up by the National Employment Savings Trust Order 2010 to support the government's pension reforms. Nest Corporation is a public corporation which has been appointed as Trustee of the Nest scheme. The Trustee is comprised of up to 15 Board members and our employees.

In summer 2021 two Board members stepped down at the end of their tenure and two new Board members were appointed. Later in 2021/22 the Chair of Nest Corporation will also be stepping down at the end of his tenure. Board members are appointed by the Secretary of State for Work and Pensions in line with public appointments guidance which promotes selection on the basis of merit, fairness and openness. We've supported the Secretary of State in the timely recruitment for these openings and we'll continue to carry out a skills and experience analysis of Board members to support recruitment and succession planning.

Every three years we have an external adviser conduct an effectiveness review of the Board and the governance framework as a whole. We conduct this external review to ensure that our governance and decision-making remains robust and evolves in line with best practice. The review was last done in 2020/21 and showed that we continue to operate effectively. We'll continue to conduct internal effectiveness reviews on an annual basis until our next external review in 2023/24.

Under the Nest Order the Board receives assistance and advice from our Employers' Panel and Members' Panel to ensure that our customers' perspectives are represented in decision-making. We'll continue to convene these panels on a regular basis to consider such topics as post-pandemic economic recovery, customer service improvements and new propositions, member engagement, our responsible investment approach and our climate change progress. We'll also consult with them on any changes to our 'Statement of investment principles'.

Ensure staff are engaged and have the right skills to deliver for our members, supported by a diverse and inclusive working culture

We're proud of how our organisation performed during more than a year of WFH during the pandemic. We've learned new techniques to support flexible and remote working, so that WFH has often proved to be as effective as working in a central office.

As part of our programme to build back better, we'll explore ways to support our people who want to continue to work some or most of the time from home while transitioning back to business as usual at our office in Canary Wharf, London. We'll always put our customers first, ensuring that teams with a mix of traditional and flexible working meet or exceed our high standards for customer service and member outcomes. At the same time, we believe this will help us to recruit top talent from across the UK and provide opportunities to people who may want a flexible working arrangement due to their family or personal situation.

We're committed to creating an inclusive working culture and organisation that reflects the diversity of the UK's working population. We've set ambitious but achievable targets for increasing representation of women, people with disabilities and people from a Black, Asian or another minority ethnic community among our overall staff, at senior levels and on our executive committee by 2025. To address this, we're looking closely at how we recruit, reward, develop and promote our talent.

We've already put a number of processes in place to help us meet our diversity and inclusion objectives. For example, we've been publishing our gender pay gap data since 2017 and we're already seeing progress in closing mean hourly and bonus pay gaps.⁸ Starting in 2021, in line with recommendations made by the McGregor-Smith review, we've started voluntarily publishing data about our significant ethnicity pay gaps.⁹ We hope that doing so will help us close these gaps over the next three years.

In April 2021 we launched a new reward proposition for our people. This involved changing our approach to performance reviews, putting more emphasis on supporting staff in reaching their performance objectives and developing professionally. We believe this will also help to further close pay gaps.

⁸ nestpensions.org.uk/schemeweb/dam/nestlibrary/gender-pay-gap-report-2020.pdf

⁹ nestpensions.org.uk/schemeweb/dam/nestlibrary/ethnicity-pay-report-2020.pdf



Acting as a responsible business

As a major financial services organisation, we're very aware of the impact we can make – at a global, national and community level.

Our investments

As we noted on page 20, we believe that integrating ESG factors into our investment approach is central to generating sustainable returns for our members over the long term. There are four main pillars supporting our approach to responsible investment:

Manager selection

We select and build relationships with external investment fund managers who incorporate ESG factors across their investment approach and whose principles are aligned with ours.



We directly engage with more than 400 companies each year on themes such as climate change, food waste, executive remuneration and increasing board diversity.



Active ownership

We address certain ESG risks and opportunities by voting on shareholder resolutions and engaging with companies and standard setters, both directly and through investor groups.

Risk monitoring

We monitor, prioritise and manage ESG risks alongside other financial risks and opportunities.

Asset allocation

We look for opportunities to create or access investment strategies where we can address ESG risks and opportunities.

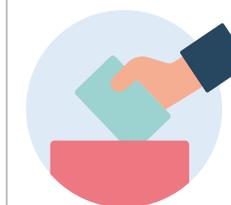
If we see the potential to develop ESG and stewardship practices, we'll work as a partner with the fund manager to help improve their approach. This is because we're committed to identifying opportunities for growth and setting a higher benchmark in the industry.

We directly engage with more than 400 companies each year on themes such as climate change, food waste, executive remuneration and increasing board diversity. In 2020/21 we had more than 58,000 votes cast on our behalf at the annual general meetings (AGMs) of companies in which the scheme is invested. We use a proxy voting service provider to help us efficiently manage this volume of voting.

We maintain an ESG risk dashboard and source information from a range of providers to help ensure that as far as possible we're aware of risks such as poor labour practices, poor audit practices and high carbon emissions, both at the companies in which we're invested as well as in their supply chain.

Since we launched our mandate for investment in private debt in 2019/20, we've financed 63 projects, including 27 solar plants in Spain, 6 solar plants in Italy, 2 onshore wind projects in France and 2 waste-to-energy plants in the UK. We've now extended our investment in private markets through three mandates in infrastructure equity. One of these managers is dedicated to investing in renewable energy and related infrastructure. We're actively developing further areas and assets for potential investment.

Our annual responsible investment report¹⁰ helps keep our members, employers, business partners and investment fund managers informed about how we're taking ESG issues into account across our entire investment portfolio. In line with the TCFD framework guidelines, in our climate change progress report¹¹ we track the greenhouse gas (GHG) emissions and emissions reductions of investments across the scheme's portfolio. We also describe our wider strategy for becoming net zero by 2050 or earlier.



58k+

votes cast on our behalf at the annual general meetings of companies in which Nest invests

¹⁰ nestpensions.org.uk/schemeweb/nest/aboutnest/investment-approach/responsible-investment/responsible-investment-reports.html

¹¹ nestpensions.org.uk/schemeweb/dam/nestlibrary/TCFD-report-2021.pdf

Our people

As we noted on page 23, we've made a strong commitment to fostering greater diversity and inclusiveness across Nest Corporation. This will help make Nest a great place to work for all our people, allowing us to attract, retain and promote the very best talent.

We benchmark ourselves against other organisations in the financial industry and take part in accreditation programmes to hold us to account.

We're a National Living Wage employer.¹²

We're a DWP Disability Confident (level 2) employer.¹³ This means we're committed to inclusive and accessible recruitment, offering interviews to people with disabilities and providing reasonable adjustments for newly recruited and existing employees. We also assess our performance and report it to DWP.

We've made, met and updated our pledges under HM Treasury's Women in Finance Charter¹⁴ to increase the number of senior leadership positions in the financial industry that are held by women by 2025.

We've set up six working groups to help us achieve our diversity and inclusion targets. These groups, each sponsored by an executive champion, are considering how we can truly support diversity and inclusion with respect to disability and neurodiversity, gender, religion and faith, LGBTQ+, mental health and race, ethnicity and socioeconomic background.

We'll be participating in the Diversity Project¹⁵, which aims to create a more inclusive culture in investment and savings professions. We've also signed up to the #10000BlackInterns programme¹⁶ to give more young Black people access to paid work experience, and will be welcoming our first interns through the programme in 2022.

¹² livingwage.org.uk/accredited-living-wage-employers

¹³ disabilityconfident.dwp.gov.uk

¹⁴ gov.uk/government/publications/women-in-finance-charter

¹⁵ diversityproject.com
¹⁶ 10000blackinterns.com

48%



of our workforce are women

25%



of our workforce are from a Black, Asian or another ethnic minority community

44%



of our director-level roles (our top two pay bands) are held by women, exceeding our HM Treasury Women in Finance Charter target of 30%

Our carbon footprint

We respect the environment in which we operate and aim to make efficient use of natural resources.

We monitor our carbon dioxide equivalent (CO₂e) emissions, the widely accepted standard for measuring emissions from all GHG.

Our sustainability reporting follows the Greening Government Commitments guidelines.¹⁷

Our office is in a modern building with controls on energy use. The building's management employs a dedicated technical manager with responsibility for energy reduction and has a building-wide policy to support effective energy management.

We use digital collaboration tools, electronic review and electronic records management where possible to reduce paper use. We've shifted to disseminating more of our customer support materials and reports in digital-only formats.

Over the next three years we'll continue to look for opportunities to adopt and maintain more digitally-based, sustainable working practices, building on the lessons learnt from our extended period of organisation-wide WFH during the pandemic.

Even prior to the pandemic, we actively sought to reduce international travel and only undertook it when necessary and unavoidable. Going forward we'll look for ways to support sustained reductions in our emissions from private vehicle, rail and air travel.



We'll continue to look for opportunities to adopt and maintain more digitally-based, sustainable working practices.



Our supply chain

We manage the Nest scheme through an outsourced business model, procuring corporation, scheme administration, investment funds administration and investment management services through competitive processes.

We're committed to acting ethically and with integrity in all our business relationships. We consider a wide range of issues in our operations, whether we're procuring suppliers and service providers or working with them day-to-day to deliver customer services and value for members.

We encourage our UK business partners to pay their workers the Real Living Wage or London Living Wage. We review this regularly and will continue to seek out partners with a better record on fair pay.

We require that all our business partners, and any businesses in their supply chain, comply with the Modern Slavery Act 2015 and the government's modern slavery statement published in March 2020. We monitor our main suppliers for their compliance.

Our corporate social responsibility

Our corporate social responsibility (CSR) programme focuses on supporting charities whose missions resonate with our employees and on making an impact in communities local to our office in Canary Wharf.

Due to lockdowns and social distancing guidelines during 2020/21, we were not able to organise our annual large-scale volunteering events or activities in the London Borough of Tower Hamlets. With pandemic restrictions eased, we'll be relaunching these community partnerships where the health and safety of participants can be assured.

We'll also continue to offer our staff with up to four days' leave for volunteering each year with a charity or other not-for-profit organisation. We recognise that the skills and experience they gain through their volunteering supports their personal and professional development.

¹⁷ [gov.uk/government/collections/greening-government-commitments](https://www.gov.uk/government/collections/greening-government-commitments)



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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 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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