



# Nest, the National Employment Savings Trust

Scheme annual  
report and  
accounts 2025/26

Scheme registration  
number: 12004537



# **Nest,** the National Employment Savings Trust

Scheme annual report  
and accounts 2025/26

For the period 1 April 2025 to 31 March 2026



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Chapter 1  
**Board report**



# Chair's introduction



Brendan McCafferty, Chair, Nest Corporation

## Overview and Strategic Context

This has been a pivotal year for Nest, characterised by significant external developments, organisational evolution and continued growth in our membership – now exceeding 14 million members – and total net assets, which reached £62.9 billion.

The introduction of new pensions legislation provides a clear direction of travel for defined contribution (DC) pension schemes. The focus on scale, value for money, investment sophistication and the increasing role of DC provision aligns strongly with Nest's purpose and operating model. As a scheme designed to serve low- to moderate-income earners at scale, we are well positioned to respond to these reforms and to anticipate further policy developments.

Our corporate strategy has continued to evolve accordingly, ensuring we remain focused on delivering strong long-term outcomes for members while building the capabilities required for the future.

## Governance

Strong governance remains fundamental to the effective running of the Scheme and the delivery of good outcomes for members.

During the year, we enhanced our governance framework, including further development of the investment governance model through a newly established Nest Invest Board with delegations from Nest Corporation, the Trustee. This provides clearer accountability, improves agility in investment related decision-making and ensures appropriate oversight of increasingly sophisticated investment activity.

We also established a dedicated Customer Committee, strengthening the Board's oversight of member outcomes and experiences. This committee provides rigorous challenge and assurance that the Scheme delivers quality, value and service consistent with our strategic objectives.

The Trustee continues to invest in its effectiveness through structured development, regular training and robust evaluation processes. Our governance operates within the framework of our role as an arm's-length body of the Department for Work and Pensions (DWP). It is also informed, where appropriate, by the principles of the UK Corporate Governance Code (2024)<sup>1</sup>, supporting high standards of stewardship and accountability, although the Code is not directly applicable to Nest and therefore not applied in full. We continue to explore mechanisms to enhance transparency and strengthen engagement with members in how decisions are made.

<sup>1</sup> [frc.org.uk/library/standards-codes-policy/corporate-governance/uk-corporate-governance-code/UK-Corporate-Governance-Code-2024](https://www.frc.org.uk/library/standards-codes-policy/corporate-governance/uk-corporate-governance-code/UK-Corporate-Governance-Code-2024)

## Value for Members

Delivering value for members remains central to all aspects of the Scheme.

Nest's scale (£62.9 billion total net assets as at 31 March 2026) enables us to operate efficiently, and to invest in capabilities that support improved member outcomes over the long-term. Throughout the year, we have focused on strengthening our investment approach, enhancing member engagement, and ensuring that our operating model delivers high-quality services in a cost-effective manner.

We recognise that value is not solely financial. It is reflected in the quality of the member experience, the effectiveness of communications, and the extent to which members are supported in achieving the best possible retirement outcomes. Our focus on trustworthiness—demonstrated through transparency, ease of use, and accountability—underpins our approach.

Given the ongoing cost-of-living pressures faced by many members, it is particularly important that we continue to deliver value in every aspect of the Scheme. Every pound matters, both in terms of net investment returns and the efficiency with which the Scheme is run.

## Investment Performance and Strategy

Over the reporting period, investment markets have performed strongly, and Nest's returns reflect this environment. The Nest 2046 Retirement Date Fund, which is designed for members expecting to retire in 2046 and represents the growth phase, had ten-year annualised returns of 8.5%. This is well ahead of our long-term objective to achieve investment returns of at least 3 percentage points above inflation. For the same ten-year period, inflation was 3.5%, so our long-term objective was to generate investment returns of at least 6.5%.

As a long-term, large-scale investor, we continue to evolve our investment strategy to deliver improved risk-adjusted returns for members. Recognising that achieving outperformance becomes more challenging at scale, we are adapting our approach to ensure that the Scheme remains well positioned.

This includes:

- Increasing sophistication in portfolio composition
- Expanding exposure to private markets, including infrastructure and private credit
- Maintaining a disciplined approach to risk and diversification

In line with the Mansion House Accord, we have also continued to invest in opportunities within the UK, where it is consistent with our fiduciary duty. This reflects both the opportunity to generate returns and the ability to deliver broader benefits to members through investment in the economy in which they live. We currently have £13 billion invested in the UK which represents 21% of the Scheme's assets.

Our long-term investment horizon provides us with a distinct advantage, enabling us to access opportunities that can offer stable returns and reduced volatility over time.

## Core Financial Transactions and Administration

The Trustee remains focused on ensuring that core financial transactions are processed promptly and accurately, recognising the importance of this to member confidence and outcomes.

The Scheme continues to operate through a partnership-based delivery model. Key third-party relationships, including those with Northern Trust and TCS, play an essential role in the administration and servicing of the Scheme.

During the year, we managed a significant transition in service provision, including the move from State Street to Northern Trust, and entered into a new contract with TCS which enables significant improvements in member experience. These changes were delivered with a strong focus on continuity, control and service quality.

We continue to develop our approach to supplier management, with an increasing emphasis on collaborative relationships that support innovation, efficiency and long-term service improvement.

## Member Engagement and Communications

The Trustee recognises that improving member engagement is critical to supporting good outcomes in a changing and challenging pensions landscape.

Traditionally, DC schemes have relied on service models predicated on low member engagement. However, increasing competition and changing member expectations require a more proactive approach. During the year, we have begun to shift towards a model of more active engagement.

This includes investment in brand and awareness activity, alongside improvements to member communications and journeys. However, we recognise that awareness alone is not sufficient. Building trust requires consistent delivery of positive member experiences, underpinned by clear communication, empathy and transparency.

We are continuing to develop our understanding of members' needs and behaviours, and to reflect this in how we design and deliver services. This includes a growing focus on key decision points in members' lives, where engagement and competition are most pronounced.

## Retirement Outcomes

A key priority this year has been the further development of Nest's retirement offering.

The introduction of flexi-access drawdown later in 2026, represents a significant step forward, providing members with greater flexibility and placing Nest on a more level footing with competitors.

In parallel, we are developing innovative solutions designed to provide members with greater certainty of income in retirement. These developments are aligned with member preferences, which strongly favour stable and predictable retirement income over variability.

Our approach is guided by our purpose of providing peace of mind in retirement, and we will continue to refine and test these solutions over the coming years.

## Costs, Charges and Efficiency

The Trustee continues to focus on managing costs carefully while investing appropriately for the future. Nest Corporation has delivered continued profitability, which is reinvested for the benefit of members. This supports the development of capabilities required to deliver best-in-class services and strengthens the financial resilience of the organisation.

We recognise the importance of maintaining an efficient operating model, particularly in the context of cost pressures faced by members. Ongoing change investment decisions are therefore carefully balanced against the need to deliver value for money, as set out under Value for Members on [page 36](#).

The Trustee remains mindful of its statutory responsibilities, including stewardship of public funds made available to support the Scheme and continues to monitor its capacity to meet these commitments in a prudent and sustainable manner.

## Risk Management and Future Outlook

The external environment remains challenging. Members continue to face cost-of-living pressures and economic uncertainty, while the pensions landscape is evolving rapidly, including an increasingly competitive market for pension savings.

In this context, the Trustee's role is to provide stability and long-term confidence. While short-term challenges are unavoidable, maintaining members saving regularly and consistently is key to delivering good retirement outcomes.

Looking ahead, the Trustee will continue to focus on:

- Responding to regulatory and policy developments
- Enhancing investment capability and governance
- Strengthening member engagement and trust
- Delivering operational excellence and efficiency

We remain confident that Nest is well positioned to navigate these challenges and to continue delivering strong long-term outcomes for our members.

## Conclusion

This year has been one of meaningful progress. We have strengthened governance, advanced our strategy, and continued to build a scheme that is resilient, scalable and focused on members.

The Trustee remains committed to its core purpose: to act in the best interests of members and to provide them with confidence and peace of mind in retirement.

**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 annual report and accounts, 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 16](#)).

Together these two documents make up the 'Order and rules of the National Employment Savings Trust', 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.

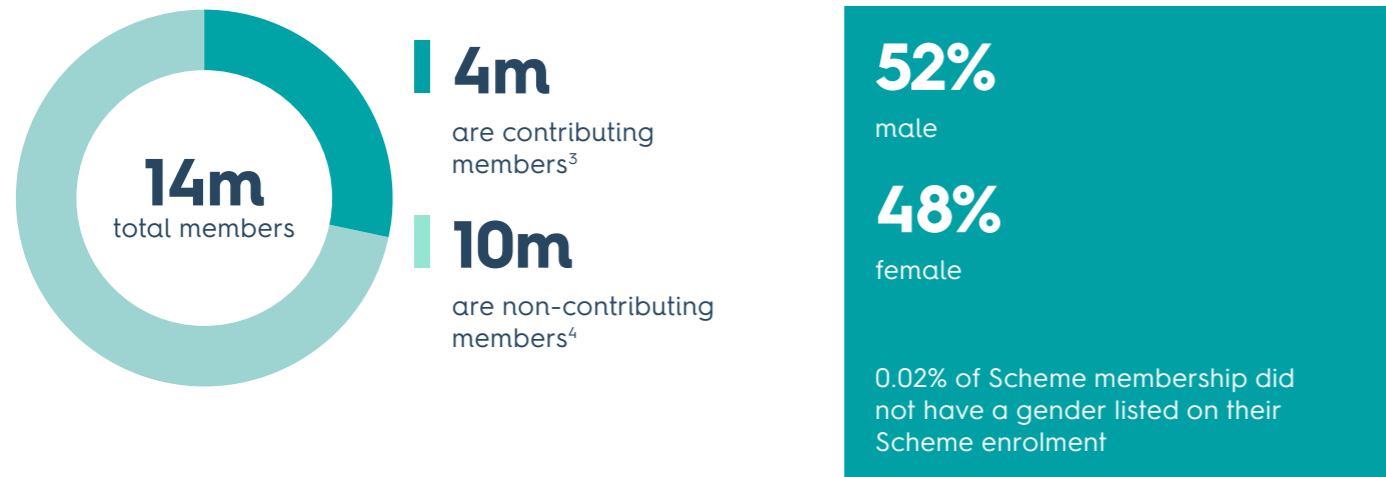
Master trust authorisation and master trust supervision were introduced as part of the Pension Schemes Act 2017. Authorisation requires all master trust pension schemes operating in the UK to meet TPR's standards in the areas of governance, operations, planning, funding, and future sustainability.

<sup>2</sup> [nestpensions.org.uk/schemeweb/nest/nestcorporation/how-nest-is-run/order-and-rules.html](https://nestpensions.org.uk/schemeweb/nest/nestcorporation/how-nest-is-run/order-and-rules.html)

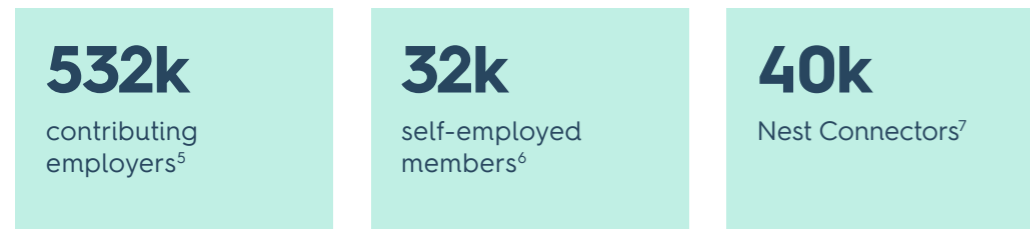
## Key figures as at 31 March 2026

### About the Scheme

#### Scheme members



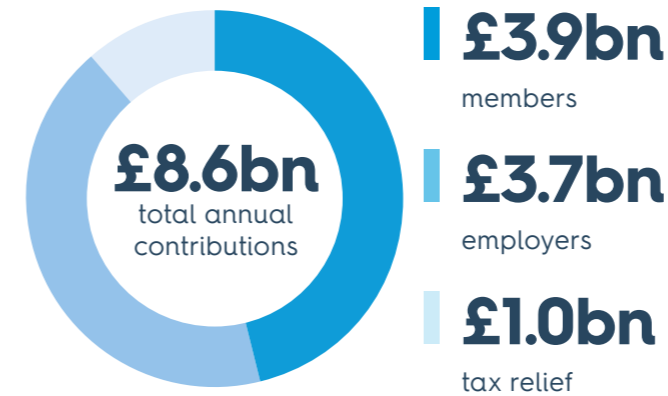
#### Scheme employers



<sup>3</sup> Contributing members are those who made a contribution in March of the year under review.  
<sup>4</sup> Non-contributing members are members other than Contributing members.  
<sup>5</sup> Contributing employers are those who made contributions in March of the year under review.  
<sup>6</sup> have left all employers but still retain their self-employed enrolment.  
<sup>7</sup> 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



#### Delivering customer services



#### 2046 Nest Retirement Date Fund<sup>10</sup>



<sup>8</sup> 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.  
<sup>9</sup> The annual employer survey in March 2026 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.  
<sup>10</sup> 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 41). The 2046 fund, for members expected to retire in 2046, 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

The Northern Trust Company (London Branch) (Northern Trust) (from 1 November 2025)  
State Street Bank and Trust Company (STT) (to 31 October 2025)

### Custodian

The Northern Trust Company (London Branch) (Northern Trust) (from 1 November 2025)  
State Street Bank and Trust Company (STT) (to 31 October 2025)

### 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 Europe, Netherlands Branch  
BTG Pactual Timberland Investment Group, LLC (from 2 July 2025)  
Campbell Global, LLC  
CBRE Investment Management Inc  
Columbia Threadneedle Investments  
CoreCommodity Management LLC (to 18 September 2025)  
HarbourVest Partners LLC  
HSBC Global Asset Management (UK) Ltd  
IFM Investors Pty Ltd (from 23 April 2025)  
J.P. Morgan Asset Management (UK) Ltd  
Legal & General Investment Management Ltd  
Legal & General Property Limited  
Local Pensions Partnership Investments Ltd / GLIL  
Lombard Odier Asset Management (Europe) Limited  
Northern Trust Fund Managers (Ireland) Limited (from 3 November 2025)  
Northern Trust Global Investments Ltd  
Octopus Investments Limited  
Royal London Asset Management Ltd  
Schroders Capital Private Equity Wollstonecraft Management Ltd  
State Street Global Advisors Europe Limited (to 31 October 2025)  
UBS Asset Management (UK) Ltd

### Investment adviser

Nest Invest Ltd. (Nest Invest)

### 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

### Tax advisor

PricewaterhouseCoopers LLP

## Membership

The Scheme's membership in 2025/26 grew as follows:

### Member numbers

	Year ended 31 March 2026	Year ended 31 March 2025
<b>Members at the beginning of the year</b>	<b>13,784,769</b>	<b>13,024,315</b>
New members*	1,243,973	1,377,703
Members opting out or de-enrolling	(212,383)	(202,418)
<b>New members joining in the year</b>	<b>1,031,590</b>	<b>1,175,285</b>
<b>Less</b>		
Members retired	(153,752)	(129,767)
Members transferred out	(231,160)	(156,379)
Members deceased	(11,146)	(10,399)
Merge of duplicate member accounts**	(410,511)	(118,286)
<b>Members at the end of the year<sup>^</sup></b>	<b>14,009,790</b>	<b>13,784,769</b>
Contributing members <sup>†</sup>	3,977,609	3,936,240
Non-contributing members	10,032,181	9,848,529
<b>Members at the end of the year</b>	<b>14,009,790</b>	<b>13,784,769</b>

\* 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 continued a process to identify and merge duplicate member accounts. Duplicate accounts arise when the necessary information is not provided to the Trustee to identify a new account request for existing members.

<sup>^</sup> This includes 255,556 members who have a zero pot (2024/25: 214,038).

<sup>†</sup> Contributing members are those who made a 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 2025 to 31 March 2026, 794,361 contribution events were reported to TPR (2024/25: 703,233). This equates to 7.3% of contribution events (2024/25: 6.4%), with the increase reflecting the growth in the Scheme's membership and associated contribution volumes rather than any deterioration in the underlying control environment.

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, 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.

In May 2026, the Trustee was granted powers to offer flexi-access drawdown (FAD) and related retirement and death benefit options to its members. This will allow the Scheme to expand its retirement offerings for members and, in time, give them greater control over how and when they access their savings, including the ability to take tax-free cash up front and then draw an income from their pension.

Members can use both Pension Wise and The Money & Pensions Service to obtain free guidance during their retirement journey, the details of which can be found in 'Other useful information' on [page 84](#).

# Governance report

## Chair’s governance statement for the year ended 31 March 2026

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

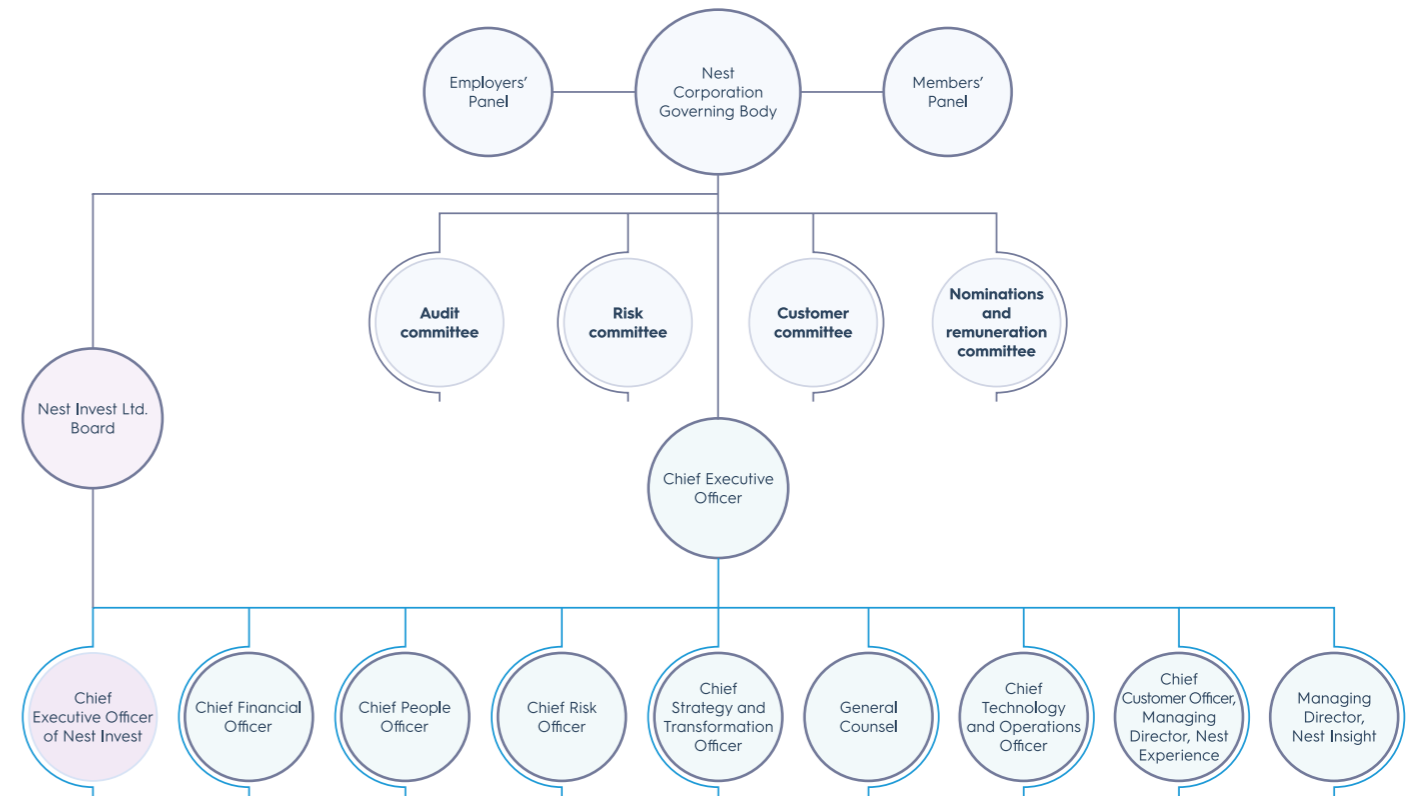
Nest Corporation was established on 5 July 2010 to be the Trustee of the Scheme; the Trustee’s role is to develop and operate the Scheme. Nest Corporation’s function is set out in the Pensions Act 2008. The Nest Order and Rules set out how the Scheme will operate (see ‘Scheme facts and figures’ on [page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

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.<sup>11</sup>

<sup>11</sup> [nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html](https://nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html)

## Organisational chart as at 31 March 2026

The following 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.



- Board and subcommittees and panels
- CEO and EXCO
- Nest Invest Board and CEO

### Executive committee

Biographies of the executive committee are available online at [nestpensions.org.uk/schemeweb/nest/nestcorporation/who-runs-nest/executive-team.html](https://nestpensions.org.uk/schemeweb/nest/nestcorporation/who-runs-nest/executive-team.html)

## The Board and committees

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.

During the year, the Board agreed changes to the investment governance model. This resulted in enhanced delegations to the wholly owned subsidiary Nest Invest around investment decision-making and oversight. To support this, a new Investment Management Agreement was signed by the Board and the Nest Invest Board. Changes to the composition of the Nest Invest Board were also agreed and implemented, including the appointment of an independent Non-Executive Chair, Sally Bridgeland and three Non-Executive Directors. The new model allows for agility of investment decision-making and deep technical investment expertise to support robust decision-making. Within this new structure, the Board retains ultimate oversight and control over Nest Invest and has approval over key investment strategic decisions.

### 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 which promotes selection based on merit, fairness, and openness. A broad range of skills, experience and knowledge are required collectively on the Board. Appointments are also made in line with the Commissioner for Public Appointments' 'Principles of public appointments' and Cabinet Office guidance.

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

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

During 2025/26, one new executive Board member (the CFO) joined the Board with effect from 1 April 2025.

Biographies of all individuals who were Board members at any point during 2025/26 can be found on [page 22](#).

### 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 22](#).

As at 31 March 2026, all Board members had completed TPR's Trustee toolkit, an online learning programme. New Board members must complete this within their first six months in addition to a detailed induction programme tailored to their requirements, skills, qualifications, and experience.

The induction process familiarises all new Board members 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.

The Board has a good working knowledge of the Nest Order and Rules, 'Statement of investment principles' (SIP)<sup>12</sup> (see [page 40](#)), 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.

<sup>12</sup> [nestpensions.org.uk/schemeweb/nest/nestcorporation/investment-approach/investment-principles.html](https://nestpensions.org.uk/schemeweb/nest/nestcorporation/investment-approach/investment-principles.html)

During the induction process Board members are also provided with training on the Trustee's investment approach.

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 2025/26, Board members received briefings or training on a number of topics during the year, including the Pensions Schemes Bill, customer segmentation and customer strategy, subsidiary governance and oversight, artificial intelligence and investment beliefs.

During 2025/26, the Trustee had three investment specialists serving on the investment committee but not the Board. From 1 October 2025, the investment committee was disbanded and the Trustee delegated certain investment decision-making and oversight activities to the Nest Invest Board, while retaining overall responsibility for the Scheme's investment strategy. The three investment specialists became non-executive directors of the Nest Invest 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 Trustee also appointed two accounting specialists to serve on the audit committee but not on the Board. This helps to ensure continued oversight and integrity of financial management and reporting.

The investment objectives for the Scheme are set out in the Trustee's SIP. The Trustee's investment approach was reviewed on a quarterly basis by the investment committee until 30 September 2025 (see [page 21](#)) and by the Nest Invest Board from 1 October 2025. The SIP is reviewed on an annual basis to assess whether it continues to meet members' needs. The investment committee and, subsequently, the Nest Invest Board reported its recommendations to the Board. Both the Nest Invest Board and the Nest Corporation Board receive regular updates from the CEO of Nest Invest (see 'Resources available to the Board' below). On an annual basis, the Nest Corporation 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 21](#)) 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 2025/26. The results of the review were considered by the nominations and remuneration committee at its meeting on 16 March 2026 and by the Board at its meeting on 24 March 2026. 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 Nest Invest Chief Executive Officer (CEO) and Head of Compliance of Nest Invest, together with the Chair of Nest Invest and Nest Corporation CEO as Board members, are approved under the Financial Conduct Authority's (FCA) 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 21](#)). 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.<sup>13</sup>

Article 8 of the Nest Order sets out the remit for the Employers' Panel (see [page 27](#)) and the Members' Panel (see [page 28](#)) 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'.<sup>14</sup>

### 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 each year, as well as customers of other pension schemes, using appropriate research and sampling methodologies. 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.

<sup>13</sup> [nestpensions.org.uk/schemeweb/nest/nestcorporation/how-nest-is-run/policy-and-procedures.html](https://nestpensions.org.uk/schemeweb/nest/nestcorporation/how-nest-is-run/policy-and-procedures.html)

<sup>14</sup> [nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html](https://nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html)

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.

All of the data and insight the Trustee captures is used to help design better service, better communications, and identify ways to improve the Scheme using human-centred design. 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.

The Trustee analyses any changes in the demographic characteristics of the Scheme's membership<sup>15</sup> and 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.

<sup>15</sup> [nestpensions.org.uk/schemeweb/dam/nestlibrary/member-evidence-research-report.pdf](https://nestpensions.org.uk/schemeweb/dam/nestlibrary/member-evidence-research-report.pdf)

### Delegations

A scheme of reserved matters and delegations outlines the matters reserved to the Board and delegations to the Board subcommittees.

Decisions which are not reserved to the Board of Nest Corporation, 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 within their remit. These delegations are documented in the Nest governance map. 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.

### Nest Invest Board

During the year, the Board of Nest Corporation agreed changes to the investment governance model. This resulted in enhanced delegations to the wholly owned subsidiary Nest Invest around investment decision-making and oversight. To support this, a new Investment Management Agreement was signed by the Board of Nest Corporation and the Nest Invest Board. Changes to the composition of the Nest Invest Board were agreed and implemented, including the appointment of an independent Non-Executive Chair, Sally Bridgeland. The Nest Invest Board further comprises four Directors from the Board of Nest Corporation, three additional independent Non-Executive Directors and one Executive Director. The new model allows for agility of investment decision-making and deep technical investment expertise to support robust decision-making. Within this new structure, the Board of Nest Corporation retains ultimate oversight and control over Nest Invest and has approval over key investment strategic decisions.<sup>16</sup>

<sup>16</sup> Nest Invest Governance is included in the Nest Invest annual report and accounts.

### Audit committee

The audit committee is responsible for reviewing the integrity of the financial statements for Nest Corporation and the Scheme, overseeing financial management and reporting (including providing assurance on budgetary control), monitoring and reviewing the effectiveness of the internal auditors, and monitoring and reviewing the effectiveness of the external auditors used for the Scheme, Nest Corporation, and the Nest Invest Client Assets Sourcebook (CASS) audit and the Nest Corporation Audit and Assurance Faculty (AAF) audit.

### Customer committee

The customer committee is responsible for overseeing the implementation of the Trustee's customer strategy, monitor the effectiveness of strategies, products and services in meeting the needs of the Scheme's customers, monitoring the impact to Scheme members of significant regulatory changes and providing assurance that services provided represent value for members.

### Investment committee

The investment committee was disbanded on 1 October 2025 as part of the evolution of the Trustee's investment governance model and the increased delegated authority over investment decision-making to the Nest Invest Board. The investment committee was responsible for overseeing the Scheme's investment strategy and also monitored investment performance and operational investment risks.

### Nominations and remuneration committee

The nominations and remuneration committee is responsible for overseeing the Trustee'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 the Trustee by assessing whether governance arrangements are adequate, appropriate, and operating effectively.

### Risk committee

The risk committee is responsible for monitoring the effectiveness of the Trustee's risk appetite, the internal controls framework, second line monitoring activity, and monitoring the effectiveness of the risk function. It also monitors the effectiveness of the Trustee's Enterprise Risk Management Framework, ensuring it is fit for purpose.

## The Board

As at 31 March 2026, there were fifteen Board members, including the Chair. One executive Board member was appointed to the Board with effect from 1 April 2025.



### 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 £100 billion 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 £35 billion 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 also previously served as a Trustee of Blueprint for Better Business, a charity working with FTSE 100 businesses on the power of having organisational purpose and encouraging business to be a force for good in society.

He also holds an ambassadorial role as Co-Chair of the A4S Asset Owners Chair's Group, a network of chairs of pension funds, their pooling partners, investment committees and endowments focusing on the role of pension fund chairs and Trustees and how they can adapt to, and scale up adoption of, good practice.

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

(reappointed for second term from 1 July 2026)

**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, the Whitechapel Gallery and Towner Eastbourne.

### 3. 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. She is Director of 'The BRAINS Lab' founded by leading behavioural and social scientists in the application of their expertise to user research for technology development. 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 The Royal Society for the Encouragement of Arts, Manufactures and Commerce (RSA) and a Women in Games Ambassador as part of Google Women TechMakers.

### 4. Helen Copinger-Symes

**Board Member** from 1 June 2023

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

She has worked for several global investment firms including Deutsche Asset Management, Invesco Perpetual, AllianceBernstein and State Street Global Advisors, in addition to a boutique equity hedge fund. Helen has considerable experience working with defined contribution pension plans, their underlying investment structures and development 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 SIPP 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.

## 5. Ian Cornelius

**Board Member** from 1 May 2024

**CEO, Nest Corporation** from 14 April 2024

Ian has over 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 has held senior leadership roles at Homeloan Management Limited, Virgin Money, Bradford & Bingley and Capital One.

## 6. Louise Fitzgerald

**Board Member** from 1 April 2025

**CFO, Nest Corporation** from 14 March 2025

Louise has 26 years' experience working in financial services.

Most recently she was CFO at British Arab Commercial Bank (BACB), a UK bank delivering trade finance and investment expertise to clients in African and Middle Eastern regions. In this role, Louise held the Regulatory SMF2 position, Senior Accounting Officer responsibility, Pension Board Trustee role and was Head of the Finance and Treasury Functions for the bank.

Prior to her time at BACB, Louise held senior roles in finance, treasury, risk and regulatory at various capital markets institutions including Daiwa Capital Markets, JP Morgan, Bear Stearns and Credit Suisse. These institutions allowed Louise to gain experience across a range of different cultures, markets, financial instruments, regulatory landscapes, stakeholder groups and commercial strategies.

## 7. Michael Gordon

**Board Member** from 25 November 2024

Michael brings over a decade of non-executive experience in the investment management and retirement savings sector, alongside more than 30 years of senior executive expertise within the industry, both in the UK and internationally. In addition to his role at Nest Corporation, Michael currently serves as a Director of Nest Invest and sits on the investment committee for an international family office.

His experience as a non-executive director includes six years serving on the Board and chairing the investment committee of Total Risk Management Pty. Limited, the Trustee for the Russell Investments SuperSolution Master Trust, a successful Australian defined contribution superannuation fund.

Between 2017 and 2025 Michael served as an independent director for Yarra Capital Management, which handles investments for superannuation funds and family offices. Between 2021 and 2025 he was an advisor to the investment committee and Manager of the Square Peg Global Technology Fund. He also chaired the Vision Australia Foundation, part of Australia's largest charity for the vision impaired. As an executive, Michael was the CEO of Perpetual Investments and held Chief Investment Officer roles at Fidelity International, BNP Paribas Investment Partners, and Schroders.

## 8. 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).

## 9. Catherine Howarth

**Board Member** from 25 November 2024

Since 2008, Catherine has been serving as the Chief Executive of ShareAction, a UK-registered charity that advocates for responsible investment and business practices worldwide. Additionally, she is a member of the Financial Conduct Authority's sustainable finance committee. Her previous roles include serving on the Board and investment committee of TPT Retirement Solutions (formerly known as The Pensions Trust).

## 10. Sarah Laessig

**Board Member** from 1 September 2021

**Senior Independent Director** from 28 July 2022

**Chair, Investment committee** from 1 June 2024 to 30 September 2025

Sarah Laessig has 30 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 (JGGI), a FTSE 250 listed investment trust. Sarah has previously been a Civil Service Commissioner and a non-executive board member at LPPI, a Local Government Pension Scheme fund. 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. She holds an MBA from the Wharton School of the University of Pennsylvania.

## 11. Nikki Marsh

**Board Member** from 1 June 2023

**Chair, Customer committee** from 1 April 2025

Nikki brings more than 20 years of senior leadership experience across financial services and the public sector, with a strong track record of leading customer-focused transformation. Her career spans 13 years in financial services, including a decade in the mutual sector, and 7 years as a senior civil servant. She has held a range of senior executive roles covering marketing and communications, digital transformation, and customer experience, with a consistent focus on strengthening customer outcomes and embedding customer-centric culture.

Nikki is currently a non-executive director at Penrith Building Society and is a qualified executive coach. She is also the co-founder of a tailored coaching programme that supports aspiring non-executive directors in developing the skills and confidence needed for board roles. In addition, she previously served as a Trustee of a not-for-profit organisation focused on improving care delivery and supporting professionals working across the care sector.

Her broad cross-sector experience, combined with deep expertise in customer engagement and organisational transformation, brings valuable insight, constructive challenge and a strong customer perspective to the Board.

## 12. Faith Reynolds

**Board Member** from 25 November 2024

Faith is a recognised consumer expert with significant experience in financial services, consumer engagement, data, and regulation. Faith advises the board at TISA (The Investing & Saving Alliance). She is a member of Project Nemo which promotes disability inclusion in fintech and an adviser to The Connection Project, where she focuses on digital financial inclusion.

Having previously served as the Independent Consumer Representative at Open Banking Limited, she 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 Fair4All Finance and sat on the board at the Payment Systems Regulator. She was previously a member of the FCA's Financial Services Consumer Panel.

## 13. Martin Turner

**Board Member** from 1 June 2018 (reappointed for a second term from 1 June 2023, term extended to 31 May 2027)

**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.

## 14. Howard Walpole

**Board Member** from 25 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 a Board Advisor within the Regulatory Standards Division 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.

## 15. Stuart White

**Board Member** from 25 November 2024

Stuart has over 25 years of executive experience in the investment management industry and currently serves as Executive Director at IMPAX Asset Management, a £30 billion specialist asset manager focused on the transition to a more sustainable economy. Stuart also sits on IMPAX's Management Committee, reporting to the CEO and Founder, and is responsible for the global client group, strategy and M&A.

Prior to his role at IMPAX, Stuart worked for almost 15 years at HSBC in various roles including as a Board Director of HSBC Global Asset Management Ltd., the £550 billion asset manager of the HSBC Group. Stuart was also a member of the executive management committee and risk management committee, and was also the accountable executive for the firm's global DE&I programme. Stuart also spent last 10 years as a Trustee Director of the £37 billion HSBC Bank Pension Trust (UK) Limited (the hybrid defined benefit and defined contribution pension scheme of the HSBC Group), where he chaired the investment committee.

Prior to joining HSBC in 2010, 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 and is a Board Director of Inclusion in Finance (formerly known as the Diversity Project). He was previously on the Advisory Council of the UK's Investment Association and their Trade & Investment Committee.

### Board members stepping down during 2025/26

None.

## 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 and Rules. It represents participating employers by providing advice on the operation, development, and amendment of the Scheme. The panel had 11 members as at 31 March 2026.

During 2025/26 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 re-development of Nest Connector 2.0, the fund administration transition and transformation programme, and the retirement proposition, including the new retirement fund to support decumulation.
- It also covered the pensions review and segmentation work, the new employer strategy and developing roadmap, and the employer-related system transition. In addition, the programme included the development of the Trustee's brand campaign, analysis of trends in member transfer activity, and a deep dive into the strategy the Trustee was implementing to manage customer complaints, particularly those raised on social media. This latter work responded to concerns expressed by Panel members regarding the noticeable increase in such complaints online.
- Providing input on proposed changes to the SIP and changes to the Nest Order and Rules to allow the Trustee to offer flexi-access drawdown (FAD).
- The Panel was also consulted on changes to a fund choice.
- Attending a joint training with the Members' Panel on the Trustee's charging structure and how it impacts members.
- Attending a joint meeting with members of the Members' Panel, the Board, and the Trustee's executive committee. The meeting explored the Trustee as a 'best-in-class' pension provider, with a world-class investment capability and proposition and discussed the external environment in which the Trustee was operating, particularly focusing on the Pensions review and the United Kingdom Government Investment (UKGI) review.

## Members' Panel

(Panel Chair – Charles Pears from October 2024)

The Members' Panel was set up in accordance with the Pensions Act 2008 and Nest Order and Rules to represent Scheme members and allow them to provide advice on the operation, development, and amendment of the Scheme. The panel had 13 members as at 31 March 2026.

During 2025/26 the panel met five 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 to allow the Trustee to offer flexi-access drawdown to members. 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 Trustee's executive committee. This included topics such as retirement proposition, the Nest Invest strategic review, pensions dashboard, transfers trends in the Scheme, member segmentation, member's churn benchmarking, member marketing strategy and value proposition, customer lifetime value analysis, the development of the Trustee's brand campaign and the pensions review. The Panel also made contributions to the development of the Trustee's Transfer Calculator and other innovative tools being developed.
- Attending a training session on the Nest member propositions roadmap and a deep dive into Nest's member base.
- Attending a joint meeting with members of the Employers' Panel, the Board, and the Trustee's executive committee. The meeting explored the Trustee as a 'best-in-class' pension provider, with a world-class investment capability and proposition and discussed the external environment in which the Trustee was operating, particularly focusing on the Pensions review and the UKGI review.

## Committee membership as at 31 March 2026

### Audit committee

Myfanwy Barrett	Chair
Nina Hingorani-Crain	Member
Martin Turner	Member
Atula Abeysekera	Special committee Member (from 1 January 2026)
Lorna Hinds-Sotomey	Special committee member (from 1 January 2026)

### Customer committee (from 1 April 2025)

Nikki Marsh	Chair
Karen Cham	Member
Helen Copinger-Symes	Member
Catherine Howarth	Member
Faith Reynolds	Member
Stuart White	Member

### Nominations and remuneration committee

Nina Hingorani-Crain	Chair
Brendan McCafferty	Member
Sarah Laessig	Member
Stuart White	Member (from 1 April 2025)
Carol Young	Special committee member

### Risk committee

Martin Turner	Chair
Myfanwy Barrett	Member
Karen Cham	Member
Helen Copinger-Symes	Member
Michael Gordon	Member (from 1 April 2025)
Nikki Marsh	Member
Howard Walpole	Member (from 1 April 2025)

### Nest Invest Board (in place from 1 October 2025)

Sally Bridgeland	Chair of Nest Invest Board
Ian Cornelius	Member of Nest Invest Board
Mark Fawcett	Member of Nest Invest Board
Michael Gordon	Member of Nest Invest Board
Sarah Laessig	Member of Nest Invest Board
Howard Walpole	Member of Nest Invest Board
Jennie Austin	Member of Nest Invest Board
Katrina Shenton	Member of Nest Invest Board
Jaap van Dam	Member of Nest Invest Board



## Board and committee meetings

### Details of meetings attended by Board members

No. of meetings	Role	The Board	Board subcommittees					Subsidiary governance
			Audit committee	Customer committee	Nominations and remuneration committee	Risk committee	Investment committee	Nest Invest Board
Brendan McCafferty	Board Chair	5/5	-	-	9/9	-	-	-
Ian Cornelius	EBM & NEBM (NIB)	5/5	-	-	-	-	-	5/5
Myfanwy Barrett	NEBM	5/5	6/6	-	-	4/4	-	-
Karen Cham	NEBM	4/5	-	2/5	-	3/4	-	-
Helen Copinger-Symes	NEBM	5/5	-	5/5	-	4/4	1/1	-
Louise Fitzgerald	EBM	5/5	-	-	-	-	-	-
Michael Gordon	NEBM & NEBM (NIB)	5/5	-	-	-	3/4	1/2	5/5
Nina Hingorani-Crain	NEBM	4/5	6/6	-	9/9	-	-	-
		1/5 partial						
Catherine Howarth	NEBM	5/5	-	5/5	-	-	-	-
Sarah Laessig	NEBM & NEBM (NIB)	5/5	-	-	6/9*	-	3/3	5/5
Nikki Marsh	NEBM	5/5	-	5/5	-	4/4	-	-
Faith Reynolds	NEBM	5/5	-	5/5	-	-	-	-
Martin Turner	NEBM	5/5	5/6	-	-	4/4	-	-
Howard Walpole	NEBM	5/5	-	-	-	4/4	2/2	5/5
Stuart White	NEBM	5/5	-	5/5	9/9	-	-	-
Sally Bridgeland	NIB Chair	-	-	-	-	-	-	5/5
Mark Fawcett	EBM (NIB)	-	-	-	-	-	-	5/5
Jennie Austin	NEBM (NIB)	-	-	-	-	-	3/3	5/5
Katrina Shenton	NEBM (NIB)	-	-	-	-	-	3/3	4/5
Jaap van Dam	NEBM (NIB)	-	-	-	-	-	3/3	4/5
<b>Special committee members</b>								
Atula Abeysekera	SCM	-	1/1	-	-	-	-	-
Lorna Hinds-Sotomey	SCM	-	0/1	-	-	-	-	-
Carol Young	SCM	-	-	-	8/9	-	-	-

\* Excused for one meeting due to a conflict of interest.

Board Chair - Chair of Nest Corporation Board    EBM - Executive Board Member    NEBM - Non-Executive Board Member  
NIB Chair - Chair of Nest Invest Board    SCM - Special Committee Member    NEBM (NIB) - NEBM of Nest invest

### Notes to Board and committee meetings table

#### The Board

Following a period of interim appointment since 1 May 2024, Ian Cornelius was appointed permanent CEO and Board member on the 17 June 2025. Following a period of interim appointment, Louise Fitzgerald was appointed permanent CFO in June 2025 and appointed as a Board member on 31 December 2025, with retrospective effect from 1 April 2025.

#### Audit committee

Atula Abeysekera and Lorna Hinds-Sotomey were appointed as special members of the audit committee with effect from the 1 January 2026. They are not Nest Corporation Board members.

#### Customer committee

Nikki Marsh was appointed as Chair of the customer committee with effect from 1 April 2025. Karen Cham, Helen Copinger-Symes, Catherine Howarth, Faith Reynolds and Stuart White were appointed as members of the customer committee with effect from 1 April 2025.

#### Risk committee

Michael Gordon and Howard Walpole were appointed as members of the risk committee with effect from 1 April 2025.

#### Nominations and remuneration committee

Karen Cham stepped down as a member of the nominations and remuneration committee with effect from 1 April 2025. Stuart White was appointed as a member of the nominations and remuneration committee with effect from 1 April 2025. Carol Young is a special member of the nominations and remuneration committee but is not a Nest Corporation Board member.

#### Investment committee

Helen Copinger-Symes stepped down as a member of the investment committee with effect from 1 June 2025. Michael Gordon and Howard Walpole were appointed as members of the investment committee with effect from 1 June 2025.

#### Nest Invest Board

As of 1 October 2025, the investment committee was disbanded, and, following delegation from the Nest Corporation Board, the Nest Invest Board now has responsibility for oversight of investment decisions. The three special investment committee members became Non-Executive Directors of Nest Invest.

## Risk management

The Trustee must consider risks and uncertainties to ensure continuous delivery of high-quality services to customers. It has established a risk directorate under the leadership of a Chief Risk Officer who reports to the Chief Executive Officer, with the remit to provide independent challenge, oversight and advice to the rest of the business on the whole risk landscape.

The Trustee has established a risk committee, which is responsible for oversight and challenge of the approach to risk management and detailed discussion of matters to do with risk, control and compliance for the Trustee and the Scheme.

Annually the Board approves a risk framework and a high-level set of risk appetites. This is prepared by the risk directorate and recommended by the executive committee and the risk committee.

These high-level risk appetites are underpinned and monitored by a set of detailed risk processes, comprising:

- Assessments of risks and opportunities, which are undertaken at the level of individual teams and continually updated and assess whether individual risks are being managed within appetite;
- Key Risk Indicators and where appropriate granular risk appetites, which are monitored quarterly and provide an indication of whether the Trustee is operating within its risk appetite;
- A control framework, including externally audited elements using ICAEW AAF and ISO27001 frameworks, to ensure that the system of control is operating effectively.

The Chief Risk Officer reports to each risk committee meeting on developments in risk oversight, and provides his opinion of the robustness of the risk, control and compliance environment.

## Principal risks

A set of principal risks is derived from these analyses, which is reviewed at least annually by the Board. A principal risk is defined as a risk that is considered material to the development, performance, position or future prospects of the Trustee or the Scheme. For a full review of these principal risks, key controls and mitigating actions, please see the 'Corporation annual report and accounts 2025/26'.<sup>17</sup>

<sup>17</sup> [nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html](https://nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html)

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

- **Investment performance risk:** Markets have been volatile, although they have proved agile, adaptive and resilient.
- **Cyber and information security:** The threat environment continues to evolve rapidly but the Trustee's defences have proved robust to the changing environment.
- **Customer experience and outcome risk:** Significant improvements in customer experience have been delivered, but future requirements in a challenging and rapidly changing market pose challenges for the Trustee and its delivery partner.

## Processing of core financial transactions and operational performance of scheme administration

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 financial transactions is undertaken on behalf of the Trustee by the Scheme administrator, Tata Consultancy Services (TCS), the investment funds administrator (State Street Trust Company until October 2025 and Northern Trust thereafter), and the Scheme's investment managers, as detailed on [page 14](#). The Trustee commissions a range of assurance activities, including obtaining assurance over the operation of processes designed to support compliance with pensions legislation and The Pensions Regulator's (TPR) Code of Practice.<sup>18</sup>

<sup>18</sup> [TPR general \(single\) code of practice | The Pensions Regulator](#)

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.

In July 2025, the Trustee and TCS entered the operational phase of a new scheme administration agreement, which introduced enhanced performance measures and a stronger focus on customer outcomes. The reporting period was characterised by the delivery and embedding of the requirements under the new agreement, including system and process transformation, while maintaining service delivery for members and employers. Where planned change resulted in periods of reduced service availability, the Trustee proactively managed customer communications and expectations.

A significant operational milestone during the year was the transition of fund administration services from State Street to Northern Trust in October 2025. This transition required careful management of system changes and implementation activity, including a planned period of delays to processing certain transaction to mitigate transition risk. Following restoration of services, any resulting backlog of transactions was processed in a controlled and timely manner.

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. Overall, approximately 90% of service levels were met in 2025/26. This represents strong performance in the context that from July 2025 onwards a set of more demanding service level measures were put in place when compared with last year.<sup>1</sup> Service levels are rising to meet these enhanced levels.

Where service level failures occurred, these were monitored and addressed through established governance and oversight processes. The Trustee maintained active engagement with TCS and other service providers to oversee performance and ensure that appropriate remediation actions were implemented where required.

Scheme governance, including detailed information on the administration of the Scheme, is evaluated on a monthly basis. The Trustee considers service level reports, compliance reporting, risks and mitigation activities undertaken by TCS, and the sustainability of key service components. Each quarter, the Trustee receives and reviews a dashboard summary of administration activity, including key performance metrics and commentary on operational performance. Material operational issues are managed through a formal incident management process, with escalation to senior management and, where appropriate, the Board.

Notwithstanding the operational change and variability in reported service levels during the year, the Trustee did not identify any material errors or systemic control failures affecting the integrity of core financial transactions. Contributions continued to be collected and invested, member transactions were processed in line with Scheme rules and regulatory expectations, and transaction backlogs arising from planned operational events were resolved in a timely manner.

These monitoring and reporting activities, together with the multiple sources of assurance in place, enable the Trustee to conclude that core Scheme financial transactions were processed promptly and accurately during 2025/26. The Trustee is therefore satisfied that the requirements of 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. There are no charges to employers.

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 Northern Trust 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 90](#) for the default funds, and the Fund performance table on [page 52](#) for the non-default funds.

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

See Appendix 5 on [page 96](#) for illustrations of the cumulative effect of the Scheme's costs and charges, including the contribution charge, on member's pots over time using three different age profiles. These figures are based on qualifying earnings figures for 2025/26.

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

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

## Transaction costs

The transaction costs for the Scheme's default fund for members, the Nest Retirement Date Fund series, are detailed in Appendix 3 on [page 92](#). 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, range from 0.012% to 0.086%, reflecting differences in underlying asset allocation as funds progress along their investment glidepath. Transaction costs for the Scheme's other fund choices range from 0.010% to 0.099%, reflecting the differing asset classes and investment strategies within those funds.

## 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 41](#).

For the asset allocation of each fund as at 31 March 2026, see Appendix 4 on [page 94](#).

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 annual report and accounts, is included in Appendix 6 on [page 102](#) and the latest SIP is available online at [nestpensions.org.uk/schemeweb/nest/nestcorporation/investment-approach/investment-principles.html](https://nestpensions.org.uk/schemeweb/nest/nestcorporation/investment-approach/investment-principles.html) and by request using the contact information on [page 84](#).

Members can change their Nest Retirement Date Fund, without charge, to 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 42](#).

## 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 access to a wide range 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:

- Grow member savings faster than inflation (the Consumer Price Index or 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 2026, nearly 97% 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 the Scheme's investment approach.

Key investment risks should be carefully considered, particularly in relation to where a member is on their savings journey 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 the Scheme believes is appropriate for that specific cohort of members.

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.

For information on the design and objectives for each phase in the member journey, see 'Nest Retirement Date Funds' on [page 41](#) and the SIP. The latest available SIP, which forms part of this annual report and accounts, is included in Appendix 6 on [page 102](#).

## Review of the default fund

A review of the Scheme's default funds and the SIP (see [page 40](#)) must take place at least every three years. It should also take place after any significant change in the Trustee's investment approach. The last three-year review of the SIP took place in March and April 2023, was approved in July, and then published in August 2023. The latest available SIP is included in Appendix 6 on [page 102](#). As scheduled, a review of the SIP began in 2025, refreshing member evidence and conducting interviews within the Scheme, ahead of being updated in the second half of 2026.

The Trustee has confidence that the CEO and Chief Investment Officer (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 under the FCA's Senior Managers and Certification Regime. For more information on Nest Invest see 'Resources available to the Board' on [page 19](#).

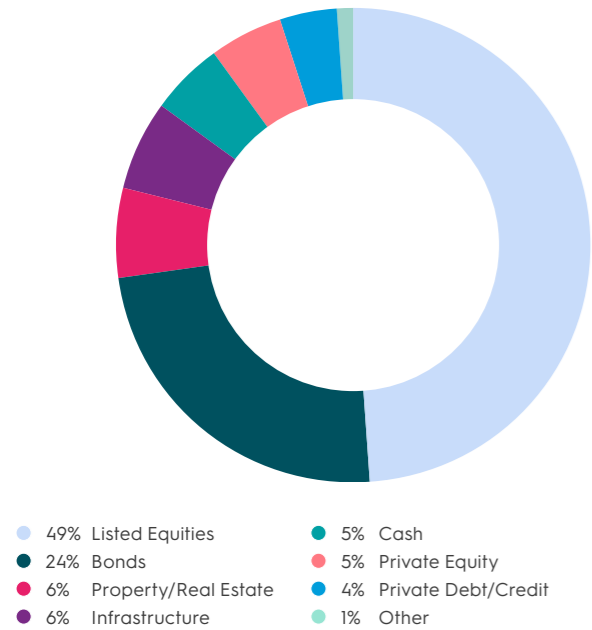
Day to day management of the investment strategies behind the Trustee's default and alternative funds is carried out by Nest Invest, which is an FCA regulated OPS firm.

The Trustee, based on advice from Nest Invest, regularly reviews the investment approach, including the performance of the Scheme's default strategy (the Nest Retirement Date Funds) and other fund choices available to members. These reviews include an assessment of performance against investment objectives, which are aligned to the needs and priorities of Scheme members. As part of this process, the Trustee considers the key drivers of investment performance, including asset allocation, transaction costs, and the performance of the underlying investment managers responsible for the asset-class building blocks. The Trustee also evaluates the level of risk being taken, including volatility, liquidity, and other investment risks, as part of its overall risk management framework for the Nest Retirement Date Funds. On an annual basis, the Trustee also assesses whether the investment approach remains aligned with the Statement of Investment Principles (SIP). These reviews are supported by written advice and management information provided by Nest Invest to inform decision-making.

Based on these reviews and the advice of Nest Invest, the Trustee is 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. The Trustee remains confident that the investment approach continues to be in line with the SIP.

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 to meet the investment objectives throughout a member's savings journey. Below is the asset allocation for the 2046 Nest Retirement Date Fund. The 2046 fund is shown as an example to illustrate the asset allocation of funds in the growth phase. The asset allocation for all other Retirement Date Funds can be found on [page 94](#).

**Nest 2046 Retirement Date Fund Asset Allocation**



**Review of the non-default funds**

The Trustee also provides Scheme members with a select range of other funds that they may choose from (see ‘Other fund choices’ on [page 42](#)). These are reviewed alongside the default fund. Based on these reviews and the advice of Nest Invest, the Trustee is satisfied that the Scheme’s strategy and returns also remain consistent with the aims and objectives of these other fund choices, and therefore all funds are fit for purpose.

**Value for members**

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

The Board carried out this assessment based on a review year ending 30 September 2025 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 24 March 2026.

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 member’s 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 December 2025, 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. The Trustee is aware of the forthcoming Value for Money regulatory framework and will transition to the new requirements once they come into force.

**Brendan McCafferty**  
Chair, Nest Corporation  
30 June 2026

# 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  
30 June 2026

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 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 annual report and accounts, is included in Appendix 6 on [page 102](#) and is available online at [nestpensions.org.uk/schemeweb/nest/aboutnest/investment-approach/statement-of-investment-principles.html](https://nestpensions.org.uk/schemeweb/nest/aboutnest/investment-approach/statement-of-investment-principles.html) or by request using the contact information on [page 84](#).

Under the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the Trustee is required to produce an annual 'SIP implementation statement'. This forms part of the Scheme's Annual Report and Accounts and is also made publicly available on the website. To avoid duplication, the latest available implementation statement can be accessed at [nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html](https://nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html). The implementation statement for the year ended 31 March 2026 will be published in Autumn 2026.

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 more closely 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 42](#)).

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

The overarching investment objective of the Nest Retirement Date Funds is to deliver the best possible retirement income for the greatest number of members. Each fund is designed to ensure that members' savings are ready to be converted into retirement benefits at the time they choose to access their money.

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 the NGRF or the 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 2026 is included in Appendix 4 on [page 94](#).

## 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.

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 102](#).

## 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 glidepath 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, with all their pension savings invested into bonds. This means that in the long-term, it will likely 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 between 60 and 70 who have at least £10,000 in their pot.

### Nest Ready to Retire Fund

This Post Retirement Date 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 most 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 – almost 20% – are invested in illiquid assets (indicated with \* in the table below). Please note, the mandates listed in the table below are used to make up all Nest Funds. Data is accurate as of 31 March 2026 and correct at time of publication; however, asset allocations are indicative only and subject to change.

Policy group	Asset class	Investment manager
<b>Alternatives</b>	Natural capital*	BTG Pactual Timberland Investment Group, LLC
		Campbell Global, LLC
<b>Cash</b>	Money market funds	BlackRock Inc
		Northern Trust Fund Managers (Ireland) Limited
<b>Equities</b>	Developed markets equities	Columbia Threadneedle Investments
		HSBC Global Asset Management (UK) Ltd
	UBS Asset Management (UK) Ltd	
	Emerging markets equities	Northern Trust Global Investments Ltd
	Private equity*	HarbourVest Partners LLC
	IFM Investors Pty Ltd	
	Schroders Capital Private Equity Wollstonecraft Management Ltd	
	Thematic equities	Lombard Odier Asset Management (Europe) Limited
<b>Growth credit</b>	Emerging market debt	Amundi Asset Management
	Global high-yield bonds	BlackRock Inc
	Private credit*	BNP Paribas Asset Management Europe, Netherlands Branch
		IFM Investors Pty Ltd
	J.P. Morgan Asset Management (UK) Ltd	
<b>Investment-grade bonds</b>	Investment-grade corporate bonds	Allspring Global Investments (UK) Ltd
		BlackRock Inc
		Columbia Threadneedle Investments
		Royal London Asset Management Ltd
	UK government bonds	BlackRock Life Limited
		Royal London Asset Management Ltd
	Sukuks	HSBC Global Asset Management (UK) Ltd
<b>Real assets</b>	Real estate*	Legal & General Investment Management Ltd
		Legal & General Property Limited
	Infrastructure equity*	CBRE Investment Management Inc
		IFM Investors Pty Ltd
		Local Pensions Partnership Investments Ltd / GLIL
		Octopus Investments Limited
<b>Other</b>	Derivatives	Amundi (UK) Ltd

## The Trustee's arrangements with existing investment managers

The Trustee's approach to constructing the 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 undertaken by Nest Invest on behalf of the Trustee ensure 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 is closely monitored.

The Trustee provides all investment managers with its key policies and guidelines as part of the onboarding process and ongoing oversight, with Nest Invest responsible for implementation and monitoring on behalf of the Trustee. Managers are expected to have regard to these policies where relevant to their mandate. The Trustee recognises that the applicability of certain policies will depend on the nature of the asset class being managed. Where the Trustee considers there to be heightened or specific risks, particularly in relation to areas such as climate, stewardship and voting for listed assets, it sets out explicit requirements within Investment Management Agreements and Nest Invest monitors compliance with these on an ongoing basis. The Trustee's ability to put in place these additional requirements with specific fund managers is greatly enhanced by most of Nest's funds being segregated funds.

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. Nest Invest undertakes Operational Due Diligence on all investment managers as part of this process. 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.

The 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. The Scheme may terminate a manager's appointment for various reasons, such as misalignment on environmental, social and governance (ESG) priorities, a change in investment strategy, or failure to deliver on the objectives for which they were appointed. In such cases, the Scheme will move assets to an alternative manager or re-procure for that particular asset class. To manage this risk, and 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 the Scheme's custodian on behalf of the Scheme.

On 3 November 2025, fund administration and custody services were successfully transitioned from STT to Northern Trust following an extensive period of planning and testing. Work on moving to a new provider began several years ago, and the Trustee believes Northern Trust will be able to provide a long-term service to the Scheme as it grows in size and complexity. The Trustee is using a broad range of key performance indicators to monitor the performance of this outsourced partner and has implemented a governance structure designed to deliver a world-class service and seek out further opportunities for collaboration and growth in the best interests of Scheme members.

No material issues were encountered during what was a smooth transition and services have been operating as expected to date.

# Investing responsibly

The Trustee believes that, as long-term investors, integrating 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, recent 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 latest SIP implementation statement is available at [nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html](https://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 Invest 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 43](#).

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](https://nestpensions.org.uk/schemeweb/nest/nestcorporation/investment-approach/responsible-investment/ri-reports.html)

## Non-financial matters and investing

The Trustee consults with members on specific non-financial matters, more broadly on principles of how the Trustee invests on their behalf, and specifically on areas like Nest Ethical Fund choice strategy. For example, member views are obtained using 'Your Way'<sup>19</sup> 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 difficult topics for member consideration in the default investment strategy. With a membership of more than 14 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.

Some of the material ESG factors managed in the Scheme's investment portfolio may align with issues that elements of Scheme membership also deem values-based – such as protection of the environment and human rights – but the Trustee is clear that achieving strong, long-term investment performance is the driving objective for the default strategy. More details of how the Trustee incorporates these financially material ESG issues within the default strategy can be found in the SIP implementation statement and annual Responsible Investment report.

The Trustee held its first-ever Member Assembly across two weekends in January and February 2026. The Member Assembly brought together a diverse group of Nest savers, selected to reflect the Scheme's membership, to discuss and make recommendations on key issues affecting their pensions. Recommendations from the Assembly will feed into the Trustee's ongoing decision-making for how it invests and acts as an active and responsible asset owner. This innovative new approach helped give Scheme members a direct voice in decisions that help inform how the Trustee invests on their behalf.

<sup>19</sup> '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.

## 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 engaging 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' sets out how the Trustee expects voting and engagement rights to be exercised. These policies document the Trustee's position and expectations of companies on good corporate behaviour. They are used to signal the Trustee's view on key governance and sustainability topics to companies, underpin its engagement and voting decisions. The Trustee also uses the policies to monitor its external managers' voting record 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<sup>20</sup> 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.

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.

<sup>20</sup> [nestpensions.org.uk/schemeweb/nest/nestcorporation/investment-approach/responsible-investment/how-we-voted.html](https://nestpensions.org.uk/schemeweb/nest/nestcorporation/investment-approach/responsible-investment/how-we-voted.html)

The Trustee's stewardship approach 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 higher cost of living in retirement.

In 2020, the Trustee published its first Scheme-wide 'Climate Change policy'.<sup>21</sup> 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 last reviewed and updated in May 2025.

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

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

This TCFD 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.

<sup>21</sup> [nestpensions.org.uk/schemeweb/dam/nestlibrary/climate-change-policy.pdf](https://nestpensions.org.uk/schemeweb/dam/nestlibrary/climate-change-policy.pdf)

# Investment developments

Financial markets delivered generally positive but increasingly volatile performance in 2025/2026, with continued international conflict and associated energy prices causing further inflation concerns. Overall, a diversified investment approach proved effective in 2025 – equities benefited from resilient corporate earnings, while bonds offered stability as interest rate expectations shifted. With the continued market risks of high valuations and geopolitical tensions, a well-diversified portfolio should prove the most effective way to manage uncertainty while pursuing steady, long-term growth.

Nearly 97% 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 CPI, by 3%. With high inflation expected to persist throughout 2026, the ability to achieve this objective remains challenging.

Performance of the Nest 2046 Retirement Date Fund, which currently represents the growth phase of the default strategy (see [page 41](#)), is presented in the Fund performance table on [page 52](#), where one-, three-, five-, and ten-year annualised returns are shown against the fund's objective of CPI plus 3%.

## The global investment landscape

Over 2025, global equity markets performed well, driven in part by large US technology companies that benefit from strong demand for artificial intelligence (AI). The first quarter of 2026, however, was highly volatile. Markets were unsettled by rising geopolitical tensions and headlines about retail investors being trapped in illiquid assets. As stagflation risks increased, the performance of both stocks and bonds fell.

Notably the escalation of the conflict in Iran and the Middle East caused major stock markets to fall sharply, despite generally strong corporate earnings, due disruption to oil supplies causing rising global energy prices and fears of increased inflationary pressures. While emerging markets were seen to be more exposed to the energy shock, their high exposure to AI themes provided some cushion. Higher energy prices pushed bond yields up and reduced expectations of rate cuts. The Federal Reserve, European Central Bank and Bank of England held rates steady, although the latter two signalled possible rises if inflation persists. Credit spreads also widened as investors priced in weaker growth.

How long the Iranian war lasts will be a key driver of market outcomes, but events over the past year again highlighted the benefits of diversification. While public markets were volatile at the start of 2026, other assets the Scheme invests in, including infrastructure and timberland, were more resilient. 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 support long-term pension pot growth in changing market conditions.

## 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 and are currently under review.

## 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:

- As mentioned last year, in February 2025, the Trustee announced the establishment of a new strategic partnership with the global capital investor IFM Investors. This partnership involves co-designing new investment opportunities and has already established one new mandate, a new infrastructure debt fund, with more investment opportunities being considered. The launch of the infrastructure debt fund will further amplify investments into private markets, including assets in the UK such as UK fibre, wind, waste to energy, bus, or rail infrastructure.

- The Trustee has publicly stated its ambition to increase its private market allocation to 30% of the total portfolio by 2030. To support this goal, the Trustee is establishing further investment mandates that enable a more targeted and deliberate allocation of capital to specific assets and geographies, in line with its long-term investment strategy and governance framework. This approach reflects the Trustee's ability to access and manage private market investments at scale, with appropriate consideration of liquidity, risk and return objectives. One example is the appointment of Crescent Capital in April 2026 to manage an open-ended mandate investing in secured, first-priority loans to US private companies.
- In February 2026, the Trustee began the procurement process for an ethical equity fund mandate. Nest's growth, in both assets under management (AUM) and maturity, means the Trustee wants access to a segregated, custom ethical equity mandate for its Ethical Fund, supporting closer alignment with member preferences, enhanced oversight of ethical policy compliance, and greater transparency. The procurement will be ongoing throughout 2026.
- The Trustee has partnered with Rothesay to develop elements of its new retirement income offering for the defined contribution generation – a bulk deferred annuity product. Once the co-design has been completed successfully, Nest will purchase bulk deferred annuities for cohorts of members from Rothesay. The bulk deferred annuity will pool longevity risk and be a key part of Nest's trustee-managed sustainable income solution for members.
- The Trustee further bolstered its ability to deploy money into natural capital by appointing BTG Pactual Timberland Investment Group, LLC to implement an investment strategy that provides exposure to sustainably managed timberland across key geographies in the Americas.
- The Trustee has now wound down its position in real estate investment trusts (REITs), and they are now no longer part of the Scheme's portfolio of assets.

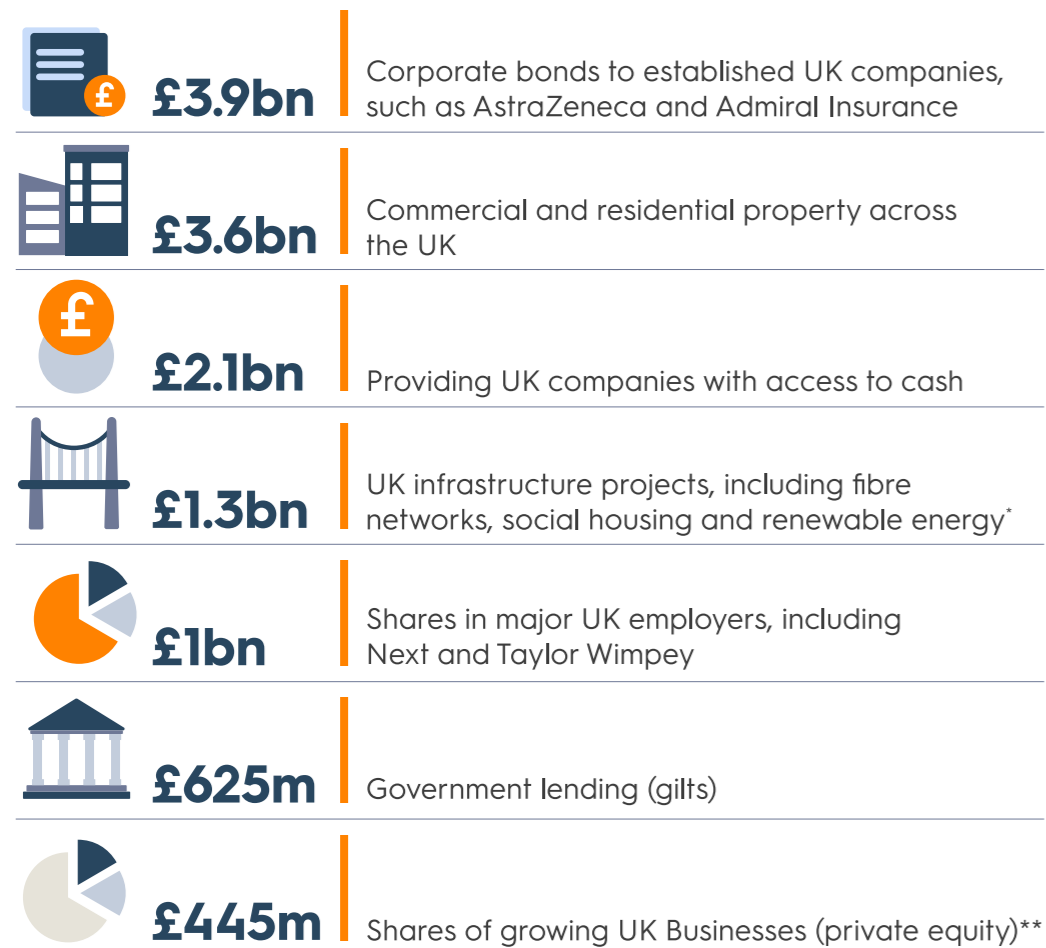
## UK investment

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 2026, the Scheme had almost £13 billion invested in the UK, representing more than a fifth of total net assets.

The Scheme has been one of the pioneers for UK defined contribution 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.

The Trustee publishes a UK factsheet every quarter to outline the ways in which it allocates money to UK assets. The Trustee invests in the UK in a variety of ways, from large infrastructure assets to making capital available to UK-based corporates. The graphic below shows the Scheme's UK allocation as of 31 March 2026. To note, some asset classes use older valuations and all amounts accurate as of time of publishing the UK factsheet (all data as of 31 March 2026 unless otherwise stated).



\* UK infrastructure data as at 31 December 2025.

\*\* Private Equity data as at 31 December 2025.

**21%**  
of Nest's  
investments  
are in the UK.

**£20bn**  
We expect to  
have invested  
£20bn in the  
UK by 2030.



# Fund performance

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

The statutory guidance issued by the DWP in 'Completing the annual Value for Members assessment and Reporting of Net Investment Returns' (June 2021) has been followed in preparing these fund performance figures. For contextualising information about the performance of Scheme funds, see 'Investment developments' on [page 48](#). 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 Northern Trust for investment.

Fund <sup>^</sup>	Objective or Benchmark	One year		Three years		Five years		Ten years	
		Fund performance one year to 31 March 2026	Objective or benchmark returns over one year to 31 March 2026	Annualised fund performance three years to 31 March 2026	Annualised objective or benchmark returns over three years to 31 March 2026	Annualised fund performance five years to 31 March 2026	Annualised objective or benchmark returns over five years to 31 March 2026 <sup>†</sup>	Annualised fund performance ten years to 31 March 2026	Annualised objective or benchmark returns over ten years to 31 March 2026
		%	%	%	%	%	%	%	%
Nest Retirement Date Fund in the Growth phase <sup>†</sup>	CPI + 3%*	13.5	6.3	11.2	6.0	7.3	8.2	8.5	6.5
Nest Ethical Fund in growth phase	CPI + 3%**	4.1	6.3	4.5	6.0	3.0	8.2	7.3	6.5
Nest Sharia Fund	***	14.6	-	17.0	-	12.9	-	15.2	-
Nest Higher Risk Fund	****	18.2	-	12.8	-	8.1	-	9.8	-
Nest Lower Growth Fund	*****	4.4	-	5.3	-	2.7	-	1.9	-
Nest Guided Retirement Fund – Vault	CPI + 0.5%*****	9.5	3.8	8.8	3.5	5.0	5.7	-	-
Nest Ready to Retire Fund	CPI	8.8	3.3	7.8	3.0	-	-	-	-

<sup>†</sup> Nest 2046 Retirement Date Fund.

<sup>\*</sup> The five-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 one-, three-, and ten-year periods, consistent with its long-term investment strategy.

<sup>^</sup> For the inception date of all Retirement Date Funds refer Appendix 2 on [page 90](#).

<sup>\*</sup> 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 Northern Trust) over the long-term.

<sup>\*\*</sup> 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.

<sup>\*\*\*</sup> The Nest Sharia Fund has an objective to provide a fund with an aim to grow a member's pots in real terms over the course of their savings career. The fund expects a long-term volatility average of 22%.

<sup>\*\*\*\*</sup> The Nest Higher Risk Fund has an objective to invest with higher risk than the default fund.

<sup>\*\*\*\*\*</sup> The Nest Lower Growth Fund has an objective to generate positive nominal returns after charges.

<sup>\*\*\*\*\*</sup> In March 2026 the Trustee revised the NGRF Vault benchmark from CPI to CPI + 0.5% after charges, as this benchmark was considered more appropriate. Meanwhile, the Safe and Wallet continue to use CPI after charges as their benchmark.

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 2026 which comprise the Fund Account, the Statement of Net Assets (available for benefits) and related notes, including the accounting policies on [pages 62 to 65](#).

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 2026 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; and
- 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

### Identifying and responding to risks of material misstatement due to fraud

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 as to the Scheme's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board, audit committee, and risk committee meeting minutes.

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 all material post closing journal entries, journals with specific words in the description field, and, unusual journals posted 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 37](#), the Scheme Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so.

### Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [frc.org.uk/auditorsresponsibilities](https://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.

**Grant Archer**  
for and on behalf of **KPMG LLP, Statutory Auditor**  
Chartered Accountants

319 Vincent Street  
Glasgow  
G2 5AS

30 June 2026



# Financial statements

## Fund account for the year ended 31 March 2026

	Note	Year ended 31 March 2026 £000	Year ended 31 March 2025 £000
<b>Contributions and benefits</b>			
Contributions – employers	3	3,735,576	3,388,887
Contributions – members	3	3,851,397	3,660,555
Contributions – HM Revenue & Customs	3	951,568	912,032
Transfers in	4	714,021	535,698
		<b>9,252,562</b>	<b>8,497,172</b>
Benefits	5	(1,053,488)	(753,909)
Transfers out	4	(1,637,162)	(955,358)
Administrative expenses	6	(323,535)	(278,386)
<b>Net additions from dealings with members</b>		<b>6,238,377</b>	<b>6,509,519</b>
<b>Returns on investment</b>			
Investment income and management fee rebates	7	949,069	729,991
Change in market value of investments	9.1	5,992,772	1,895,306
Taxation	8	(16,204)	(12,991)
		<b>6,925,637</b>	<b>2,612,306</b>
<b>Net increase in the fund during the year</b>		<b>13,164,014</b>	<b>9,121,825</b>
<b>Net assets of the Scheme at the start of the year</b>		<b>49,771,491</b>	<b>40,649,666</b>
<b>Net assets of the Scheme at the end of the year</b>		<b>62,935,505</b>	<b>49,771,491</b>

The notes on [pages 62 to 82](#) are an integral part of these financial statements.

## Statement of net assets (available for benefits) as at 31 March 2026

	Note	31 March 2026 £000	31 March 2025 £000
<b>Assets and liabilities allocated to members</b>			
<b>Investment assets</b>			
Equities	9.1	29,131,843	22,515,962
Bonds	9.1	12,055,639	6,372,093
Pooled investment vehicles	9.1	20,858,085	19,918,790
Derivatives	9.9	44,237	280,189
Cash, cash collateral and spot FX	9.1	366,275	314,673
Other investment assets	9.4	419,101	200,803
<b>Total investment assets</b>		<b>62,875,180</b>	<b>49,602,510</b>
<b>Investment liabilities</b>			
Derivatives	9.9	(295,755)	(42,139)
Other investment liabilities	9.4	(212,882)	(325,009)
<b>Total investments</b>		<b>62,366,543</b>	<b>49,235,362</b>
<b>Net current assets</b>			
Current assets	10.1	709,682	646,862
Current liabilities	10.1	(156,811)	(117,554)
<b>Total net assets allocated to members</b>		<b>62,919,414</b>	<b>49,764,670</b>
<b>Assets and liabilities not allocated to members</b>			
<b>Net current assets</b>			
Current assets	10.2	17,102	7,800
Current liabilities	10.2	(1,011)	(979)
<b>Total net assets not allocated to members</b>		<b>16,091</b>	<b>6,821</b>
<b>Total assets of the Scheme at the end of the year</b>		<b>62,935,505</b>	<b>49,771,491</b>

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 [pages 60 to 61](#), including the notes to the financial statements on [pages 62 to 82](#), were signed on behalf of Nest Corporation by:

**Brendan McCafferty**  
Chair, Nest Corporation  
30 June 2026

**Myfanwy Barrett**  
Chair, Audit committee  
30 June 2026

The notes on [pages 62 to 82](#) 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 84](#).

### 1.2 Going concern

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

The Trustee has assessed its financial viability over the next three years. 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 the following key considerations:

- **Operational performance:** Nest Corporation ended the year with stronger income and cash holdings than expected. The Trustee updated their financial strategy to support long-term resilience, ensuring continued success in a competitive market. Financial stress tests and sensitivity analyses were conducted on future cashflows. These assessments were designed to measure financial performance, solvency and liquidity under a range of severe but plausible downside scenarios, including internal, market and wider economic and geopolitical challenges, all closely linked to our principal risks.

Based on forecasted financial performance, the Trustee is confident in its ability to manage any potential liquidity or funding risks. Accordingly, there are no material uncertainties to report in relation to operational performance.

- **Government support:** The Trustee continues to report a net liability position on the statement of financial position. In assessing the associated solvency risk, the Trustee has considered whether ongoing support from the Government is likely, both for the Trustee itself and for the wider auto enrolment market as a whole. The net liability position stems from a loan liability, which resulted from historic financial support provided by the DWP. This loan is being repaid through income generated from Scheme charges. The Trustee's updated financial plan and scenario analysis provides assurance that liquidity is available to meet loan repayment commitments. Furthermore, the business plan and the associated loan repayment schedule are subject to regular review by the DWP, providing additional assurance over the Trustee's ability to meet these commitments. In recent years, the Government has made multiple statements reaffirming its ongoing commitment to supporting automatic enrolment. The recent passing of the Pensions Scheme Act into Law demonstrated a clear direction for improving outcomes for savers encouraging a system built on scale, innovation, competition and value. These objectives align closely with the Trustee's strategic direction, and the Trustee continues to ensure that it possesses the necessary capabilities and flexibility needed to succeed.

- **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 three years 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 Scheme are as follows:

### 2.1 Contributions

Contributions received from employers for members 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 recognises 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. Investments in single swing priced pooled investment vehicles are valued using the midday dealing price available at the reporting date, as this represents the best estimate of fair value, being the executable exit price available to market participants in accordance with FRS 102 and the Pensions SORP.
- 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.

- Collateral arising in connection with derivative instruments is accounted for in accordance with the principles of economic control and recognition set out in FRS 102 and the Pensions SORP. Cash collateral that is owned and controlled by the Scheme, including cash posted to counterparties under over-the-counter (OTC) derivative arrangements such as forward FX, is recognised as an asset of the Scheme and included within net assets, although it may be subject to contractual restrictions on use.
- Cash collateral that is owned by a broker or counterparty, including margin posted in respect of exchange-traded derivatives such as futures, does not meet the definition of a Scheme asset and is therefore excluded from net assets, irrespective of whether such cash is physically held by the Scheme's custodian. Any associated obligation to return broker-owned collateral is recorded for operational and accounting completeness but is excluded from the Scheme's net asset value, resulting in no net impact on net assets available for benefits. The Scheme provides appropriate disclosures in respect of collateral arrangements and related counterparty credit risk (refer note 9.9 below).

## 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 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 investment assets held at year-end.

### 3. Contributions

	Year ended 31 March 2026 £000	Year ended 31 March 2025 £000
Contributions from:		
<b>Participating employers</b>	3,739,680	3,392,000
less employers' share of refund of contributions for members opting out	(4,104)	(3,113)
	<b>3,735,576</b>	<b>3,388,887</b>
<b>Members</b>	3,856,219	3,664,197
less members' share of refund of contributions for members opting out	(4,822)	(3,642)
	<b>3,851,397</b>	<b>3,660,555</b>
<b>HM Revenue and Customs</b>	951,681	912,053
less HMRC share of refund of contributions for members opting out	(113)	(21)
	<b>951,568</b>	<b>912,032</b>
<b>Total</b>	<b>8,538,541</b>	<b>7,961,474</b>

### 4. Transfers in and transfers out

	Year ended 31 March 2026 £000	Year ended 31 March 2025 £000
Transfers in – registered pension schemes	698,760	525,709
Transfers in – pension sharing order	15,261	9,989
<b>Total transfers in</b>	<b>714,021</b>	<b>535,698</b>
Transfers out – registered pension schemes	(1,635,701)	(954,621)
Transfers out – pension sharing order	(1,461)	(737)
<b>Total transfers out</b>	<b>(1,637,162)</b>	<b>(955,358)</b>

### 5. Benefits

	Year ended 31 March 2026 £000	Year ended 31 March 2025 £000
Uncrystallised funds pension lump sum (UFPLS)	610,980	404,674
Commutations and lump sum retirement benefits	367,194	292,277
Death benefits payable to beneficiaries	61,037	48,028
Serious ill health benefits	9,358	4,514
Annuities purchased through open-market option	4,919	4,416
<b>Total</b>	<b>1,053,488</b>	<b>753,909</b>

### 6. Administrative expenses

	Year ended 31 March 2026 £000	Year ended 31 March 2025 £000
Annual management charge	170,868	135,525
Contribution charge	152,443	142,699
Sundry costs paid out in line with the Order & Rules	224	162
<b>Total</b>	<b>323,535</b>	<b>278,386</b>

### 7. Investment income and management fee rebates

	Year ended 31 March 2026 £000	Year ended 31 March 2025 £000
Dividends from equities	501,951	413,841
Income from bonds	333,260	273,280
Income from pooled investment vehicles	56,353	10,514
Interest income receivable	13,365	-
Income from stock lending	4,075	3,798
<b>Investment income</b>	<b>909,004</b>	<b>701,433</b>
Management fee rebates	40,065	28,558
<b>Total</b>	<b>949,069</b>	<b>729,991</b>

### 8. Taxation

	Year ended 31 March 2026 £000	Year ended 31 March 2025 £000
Irrecoverable withholding tax	17,191	12,308
Irrecoverable overseas capital gains tax	(987)	683
<b>Total</b>	<b>16,204</b>	<b>12,991</b>

## 9. Investments

### 9.1 Investment movements

	Note	B'fwd as at 1 April 2025 £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 2026 £000
Equities		22,515,962	8,236,869	(5,952,525)	4,331,537	29,131,843
Bonds		6,372,093	3,939,204	(2,669,732)	4,414,074	12,055,639
Pooled investment vehicles	9.2	19,918,790	22,392,416	(18,467,055)	(2,986,066)	20,858,085
Derivatives – futures	9.9	1,689	55,990	(108,716)	44,239	(6,798)
Derivatives – forward FX contracts	9.9	236,361	1,619,433	(2,236,957)	136,443	(244,720)
		<b>49,044,895</b>	<b>36,243,912</b>	<b>(29,434,985)</b>	<b>5,940,227</b>	<b>61,794,049</b>
Cash, cash collateral and spot FX		314,673			(42,778)	366,275
Other investment assets	9.4	200,803			83,035	419,101
Other investment liabilities	9.4	(325,009)			12,288	(212,882)
<b>Total investments</b>		<b>49,235,362</b>			<b>5,992,772</b>	<b>62,366,543</b>
Represented by:						
Allocated to members		49,235,362				62,366,543
Not allocated to members		-				-
<b>Total investments</b>		<b>49,235,362</b>				<b>62,366,543</b>

### 9.2 Pooled investment vehicles

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

	31 March 2026 £000	31 March 2025 £000
Undertakings for collective investment in transferable securities (UCITS)	8,686,650	8,507,381
Shares in limited partnerships	7,285,071	4,550,150
Unit-linked insurance contracts	3,732,692	5,878,720
Reserved alternative investment funds (RAIF)	1,135,184	970,966
UK pooled/commingled funds	18,488	11,573
<b>Total</b>	<b>20,858,085</b>	<b>19,918,790</b>

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

	31 March 2026 £000	31 March 2025 £000
Bonds	4,367,101	6,989,638
Cash	3,705,843	3,495,615
Property	3,869,292	3,319,313
Infrastructure equity	3,200,013	2,224,712
Private equity	2,905,744	1,715,659
Private credit	2,001,594	1,525,045
Equities	808,498	648,808
<b>Total</b>	<b>20,858,085</b>	<b>19,918,790</b>

The Scheme is a sole investor in 10 (2024/25:9) pooled investment vehicles included within the above analysis:

- Amundi Global Commercial Real Estate Debt Fund
- BlackRock GBP Infrastructure Debt Fund
- BTG Pactual NEFO Fund
- BNP Paribas Diversified Private Credit Fund
- Campbell Global (Meadowlark Forestland)
- CBRE Infrastructure Equity
- HarbourVest Co-Investment L.P.
- IFM Global Infrastructure Debt Fund
- 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 2026 £000	31 March 2025 £000
Private equity	2,898,244	1,709,288
Private credit	1,845,348	1,402,294
Infrastructure equity	1,762,478	1,075,112
Property	275,879	2,810,337
Infrastructure debt	115,149	-
Cash	94,816	114,777
Derivatives	(35,195)	25,582
<b>Total</b>	<b>6,956,719</b>	<b>7,137,390</b>

### 9.3 Investment managers during the year

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

	31 March 2026 £000	31 March 2025 £000
UBS Asset Management (UK) Ltd	24,926,772	19,771,870
Allspring Global Investments (UK) Ltd	5,193,840	4,265,336
Royal London Asset Management Ltd	5,015,631	4,019,533
BlackRock Inc	4,398,939	4,201,248
Legal & General Investment Management Ltd	3,537,900	3,504,743
Northern Trust Global Investments Ltd	3,000,750	2,175,718
Amundi Asset Management	2,906,305	2,381,823
J.P. Morgan Asset Management (UK) Ltd	2,268,507	1,886,897
Schroders Capital Private Equity Wollstonecraft Management Ltd	1,578,009	1,041,528
CBRE Investment Management Inc	1,557,861	900,517
Octopus Investments Limited	1,406,812	1,097,712
HarbourVest Partners LLC	1,327,735	674,131
Lombard Odier Asset Management (Europe) Limited	876,010	644,666
Northern Trust Fund Managers (Ireland) Limited (from 3 November 2025)	875,645	-
HSBC Global Asset Management (UK) Ltd	803,835	617,823
BNP Paribas Asset Management Europe, Netherlands Branch	710,895	636,760
Columbia Threadneedle Investments	361,196	331,695
Local Pensions Partnership Investments Ltd / GLIL	235,340	226,483
BlackRock Life Limited	194,792	11,322
BTG Pactual Timberland Investment Group, LLC (from 2 July 2025)	190,092	-
Industry Super Holdings Pty Ltd (from 12 May 2025)	169,465	-
Campbell Global, LLC	122,812	55,700
IFM Investors Pty Ltd (from 23 April 2025)	119,886	-
Legal & General Property Limited	18,488	11,573
Amundi (UK) Ltd	(3,468)	811
CoreCommodity Management LLC (until 18 September 2025)	-	380,807
State Street Global Advisors Europe Limited (until 31 October 2025)	-	206,199
<b>Total</b>	<b>61,794,049</b>	<b>49,044,895</b>

### 9.4 Other investment balances

	31 March 2026 £000	31 March 2025 £000
Investment income accrued	240,057	126,969
Pending trades receivable	122,374	28,414
Management fee rebates receivable	28,748	14,344
Recoverable withholding tax	27,922	31,076
<b>Other investment assets</b>	<b>419,101</b>	<b>200,803</b>
Pending trades payable	(206,415)	(316,541)
Irrecoverable overseas capital gains tax accrual	(6,467)	(8,468)
<b>Other investment liabilities</b>	<b>(212,882)</b>	<b>(325,009)</b>

### 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 2026 £000	31 March 2025 £000
Nest Retirement Date Funds	58,354,230	46,358,177
Nest Higher Risk Fund	2,009,812	1,391,295
Nest Sharia Fund	805,982	617,835
Nest Ethical Fund	459,324	423,509
Nest Ready to Retire Fund	345,540	237,389
Nest Guided Retirement Funds	325,617	174,263
Nest Lower Growth Fund	66,038	32,894
<b>Total</b>	<b>62,366,543</b>	<b>49,235,362</b>

## 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 2026	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Equities	28,962,372	–	169,471	29,131,843
Bonds	228,227	11,827,412	–	12,055,639
Bonds held in pooled investment vehicles	–	4,367,101	–	4,367,101
Property held in pooled investment vehicles	–	3,537,900	331,392	3,869,292
Cash held in pooled investment vehicles	–	3,705,843	–	3,705,843
Infrastructure equity held in pooled investment vehicles	–	–	3,200,013	3,200,013
Private equity held in pooled investment vehicles	–	–	2,905,744	2,905,744
Private credit held in pooled investment vehicles	–	–	2,001,594	2,001,594
Equities held in pooled investment vehicles	–	808,498	–	808,498
Derivatives	(6,798)	(244,720)	–	(251,518)
	<b>29,183,801</b>	<b>24,002,034</b>	<b>8,608,214</b>	<b>61,794,049</b>
Cash, cash collateral and spot FX	366,275	–	–	366,275
Other net investment balances	206,219	–	–	206,219
<b>Total</b>	<b>29,756,295</b>	<b>24,002,034</b>	<b>8,608,214</b>	<b>62,366,543</b>

31 March 2025	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Equities	22,515,962	–	–	22,515,962
Bonds	515,295	5,856,798	–	6,372,093
Bonds held in pooled investment vehicles	–	6,989,638	–	6,989,638
Property held in pooled investment vehicles	–	3,252,040	67,273	3,319,313
Cash held in pooled investment vehicles	–	3,495,615	–	3,495,615
Infrastructure equity 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
	<b>23,032,946</b>	<b>20,479,260</b>	<b>5,532,689</b>	<b>49,044,895</b>
Cash, cash collateral and spot FX	314,673	–	–	314,673
Other net investment balances	(124,206)	–	–	(124,206)
<b>Total</b>	<b>23,223,413</b>	<b>20,479,260</b>	<b>5,532,689</b>	<b>49,235,362</b>

## 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 38](#). The Trustee manages investment risks within agreed risk limits which are set taking into account the Scheme's strategic investment objectives.

The Scheme's AUM is 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 AUM is set out in note 9.3 on [page 70](#).

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.
- **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, 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 69](#) 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 79](#).

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 custodians provide 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**

	Investment grade £000	Non-investment grade £000	Unrated £000	Total £000
<b>31 March 2026</b>				
Bonds	9,320,768	2,394,960	339,911	12,055,639
Bonds held in pooled investment vehicles	-	-	4,367,101	4,367,101
Cash held in pooled investment vehicles	-	-	3,705,843	3,705,843
Property held in pooled investment vehicles	-	-	3,869,292	3,869,292
Infrastructure equity held in pooled investment vehicles	-	-	3,200,013	3,200,013
Private equity held in pooled investment vehicles	-	-	2,905,744	2,905,744
Private credit held in pooled investment vehicles	-	-	2,001,594	2,001,594
Equities held in pooled investment vehicles	-	-	808,498	808,498
Derivatives - forward FX contracts	-	-	244,720	244,720
Cash, cash collateral and spot FX	-	-	366,275	366,275
<b>Total</b>	<b>9,320,768</b>	<b>2,394,960</b>	<b>21,808,991</b>	<b>33,524,719</b>

	Investment grade £000	Non-investment grade £000	Unrated £000	Total £000
<b>31 March 2025</b>				
Bonds	4,476,608	1,895,485	-	6,372,093
Bonds held in pooled investment vehicles	-	-	6,989,638	6,989,638
Cash held in pooled investment vehicles	-	-	3,495,615	3,495,615
Property held in pooled investment vehicles	-	-	648,808	648,808
Infrastructure equity held in pooled investment vehicles	-	-	2,224,712	2,224,712
Private equity held in pooled investment vehicles	-	-	1,525,045	1,525,045
Private credit held in pooled investment vehicles	-	-	1,715,659	1,715,659
Equities held in pooled investment vehicles	-	-	3,319,313	3,319,313
Derivatives - forward FX contracts	-	-	236,361	236,361
Cash, cash collateral and spot FX	-	-	314,673	314,673
<b>Total</b>	<b>4,476,608</b>	<b>1,895,485</b>	<b>20,469,824</b>	<b>26,841,917</b>

## 9.7.2 Market risk

### 9.7.2.1 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 9.7.2.3 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 2026 £000	31 March 2025 £000
US dollar	23,228,951	18,990,199
Euro	5,044,962	3,524,477
Japanese yen	1,713,828	1,315,294
South Korean won	971,450	443,241
Canadian dollar	788,276	533,921
Hong Kong dollar	785,562	697,966
Taiwan dollar	716,893	383,619
Australian dollar	615,888	356,960
Swiss franc	497,567	424,804
Indian rupee	362,468	364,262
Singapore dollar	197,235	132,016
Swedish krona	166,905	130,853
Other currencies	1,082,809	836,757
	<b>36,172,794</b>	<b>28,134,369</b>
Less: Foreign currency hedging	(19,466,455)	(15,497,970)
<b>Total</b>	<b>16,706,339</b>	<b>12,636,399</b>

### 9.7.2.2 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 2026 £000	31 March 2025 £000
Bonds	12,055,639	6,372,093
Bonds held in pooled investment vehicles	4,367,101	6,989,638
Private credit held in pooled investment vehicles	2,905,744	1,525,045
<b>Total</b>	<b>19,328,484</b>	<b>14,886,776</b>

### 9.7.2.3 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 2026 £000	Market Risk			
		Currency risk	Other price risk	Interest rate risk	Credit risk
Amundi Funds Global Emerging Blended - IE	2,482,016	●	○	●	●
Amundi Global Commercial Real Estate Debt Fund	424,289	○	●	●	●
BlackRock Aquila Life 5-15 Years UK Gilt Index Fund	68,252	○	○	●	○
BlackRock Aquila Life Over 15 Years UK Gilt Index Fund	126,540	○	○	●	○
BlackRock ICS Sterling Liquid Environmentally Aware Fund	2,830,198	○	○	●	○
BlackRock GBP Infrastructure Debt Fund	746,524	○	●	●	●
BlackRock Institutional Sterling Ultra Short Bond Fund	822,217	○	○	●	●
BNP Paribas Diversified Private Credit Fund	710,895	○	●	●	●
BTG Pactual NEFO Fund	190,092	●	●	○	○
CBRE Infrastructure Equity	1,557,861	●	●	○	○
Campbell Global (Meadowlark Forestland)	122,812	●	●	○	○
CT Responsible Global Equity Fund	250,619	●	●	○	○
CT Responsible Sterling Corporate Bond Fund	110,577	○	○	●	●
GLIL Infrastructure Equity	235,340	○	●	○	○
HarbourVest Co-Investment L.P.	1,327,735	●	●	○	●
HSBC Islamic Global Equity Index Fund	557,879	●	●	○	○
HSBC Global Funds ICAV - Global Sukuk UCITS ETF	245,956	●	○	●	○
IFM Global Infrastructure Debt Fund	119,886	○	●	●	●
LGIM Build to Rent	18,488	○	●	○	○
LGIM LPI Income Property Fund	488,056	○	●	○	○
LGIM Managed Property Fund	3,049,844	○	●	○	○
Northern Trust Euro Liquidity Distributing Fund	3,740	●	○	●	●
Northern Trust Global L GBP Accumulating Fund	202,583	○	○	●	●
Northern Trust Sterling Distributing Fund	542,122	○	○	●	●
Northern Trust USD Distributing Fund	127,200	●	○	●	●
Octopus Renewables Infrastructure Partnership V L.P.	178,616	●	●	○	○
Octopus Infrastructure Renewables (Sky)	1,228,196	●	●	○	○
Royal London Short Duration Gilt Fund (Class N - Acc)	511,543	○	○	●	○
Schroders Private Equity Fund	1,578,009	○	●	○	●
<b>Total pooled investment vehicles</b>	<b>20,858,085</b>				

#### ● 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.

**9.7.2.4 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 2026 £000	31 March 2025 £000
Equities	29,131,843	22,515,962
Property held in pooled investment vehicles	3,869,292	3,319,313
Infrastructure equity held in pooled investment vehicles	3,200,013	2,224,712
Private equity held in pooled investment vehicles	2,905,744	1,715,659
Private credit held in pooled investment vehicles	2,001,594	1,525,045
Equities held in pooled investment vehicles	808,498	648,808
Derivatives - futures	6,798	1,689
<b>Total</b>	<b>41,923,782</b>	<b>31,951,188</b>

**9.8 Concentration of investment**

There were no individual investments representing more than 5% of total net assets as at 31 March 2026, however, in 2024/25, the Scheme held the following investments exceeding this threshold:

	31 March 2026 £000	31 March 2025 £000
Blackrock ICS Sterling Liquid Environmentally Aware Fund	2,830,198	3,036,713
<b>Representing (of total net assets)</b>	<b>4.5%</b>	<b>6.1%</b>
LGIM DHAS Nest Mng Property Transition Fund	-	2,754,636
<b>Representing (of total net assets)</b>	<b>-</b>	<b>5.5%</b>

**9.9 Derivatives**

Derivatives held at year-end were as follows:

	31 March 2026		31 March 2025	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Futures	1,707	(8,505)	10,976	(9,287)
Forward FX contracts	42,530	(287,250)	269,213	(32,852)
<b>Total</b>	<b>44,237</b>	<b>(295,755)</b>	<b>280,189</b>	<b>(42,139)</b>
<b>Total net derivatives</b>		<b>(251,518)</b>		<b>238,050</b>

**Futures**

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

Nature	Economic exposure £000	Expires	Asset value at year-end £000	Liability value at year-end £000
Equity stock futures sold	(99,110)	3 months	1,448	-
Equity stock futures bought	506,623	3 months	259	(8,505)
<b>Total as at 31 March 2026</b>	<b>407,513</b>		<b>1,707</b>	<b>(8,505)</b>
Total as at 31 March 2025	741,845		10,976	(9,287)
<b>Total net futures as at 31 March 2026</b>				<b>(6,798)</b>
Total net futures as at 31 March 2025				1,689

At the year-end, the counterparties had deposited £776k of US Treasury Bills (2024/25: £29,827k) and cash of £118k (2024/25: £23,851k) 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**

Settlement date	Currency bought	Value of currency bought £000	Currency sold	Value of currency sold £000	Asset value at year-end £000	Liability value at year-end £000
2 months	Pound sterling	2,835,164	Other	2,815,293	21,969	(2,098)
3 months	Pound sterling	5,093,265	Euro	5,103,282	9,020	(19,038)
3 months	US dollar	2,180,482	Pound sterling	2,173,874	6,608	-
2 months	Euro	455,162	Pound sterling	452,126	3,054	(18)
2 months	Pound sterling	1,797,060	Japanese yen	1,795,791	1,804	(535)
2 months	Japanese yen	6,720	Pound sterling	6,656	65	-
1 month	Other	48,808	Pound sterling	48,825	10	(27)
3 months	Pound sterling	25,012,633	US dollar	25,278,165	-	(265,534)
<b>Total as at 31 March 2026</b>					<b>42,530</b>	<b>(287,250)</b>
Total as at 31 March 2025					269,213	(32,852)
<b>Total net forward FX contracts as at 31 March 2026</b>						<b>(244,720)</b>
Total net forward FX contracts as at 31 March 2025						236,361

Included within net assets is £52,170k of cash (2024/25: £29,080k) in respect of collateral held on open forward FX contracts at year-end.

## 9.10 Transaction costs

Included within the purchases and sales of equities and futures are direct transaction costs of £13,775k (2024/25: £3,921k), comprising fees, commissions, and stamp duty. In addition to the direct transaction costs disclosed below, indirect costs are incurred through the bid-offer spread on investments. The direct costs are attributable to the key asset classes as follows:

	Commission £000	Other charges £000	Total £000
Equities	1,830	2,856	4,686
Private credit held in pooled investment vehicles	-	4,525	4,525
Property held in pooled investment vehicles	147	2,608	2,755
Private equity held in pooled investment vehicles	-	1,330	1,330
Infrastructure equity held in pooled investment vehicles	-	221	221
Equities held in pooled investment vehicles	50	70	120
Derivatives	101	-	101
Bonds held in pooled investment vehicles	11	26	37
<b>Total for the year ended 31 March 2026</b>	<b>2,139</b>	<b>11,636</b>	<b>13,775</b>
Total for the year ended 31 March 2025	1,042	2,879	3,921

## 10. Current assets and liabilities

### 10.1 Current assets and liabilities allocated to members

	31 March 2026 £000	31 March 2025 £000
<b>Contributions due from:</b>		
Participating employers	180,707	148,082
Members	169,888	150,387
HM Revenue & Customs	149,661	145,076
Cash	209,426	203,317
<b>Current assets</b>	<b>709,682</b>	<b>646,862</b>
Benefits payable	(68,851)	(75,086)
Contributions yet to be allocated to member accounts or returned to employers	(82,383)	(35,846)
Annual management charge accrued	(5,577)	(4,065)
Other payables	-	(2,557)
<b>Current liabilities</b>	<b>(156,811)</b>	<b>(117,554)</b>
<b>Net current assets allocated to members</b>	<b>552,871</b>	<b>529,308</b>

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 £350,595k (2024/25: £298,469k) and were all received by 31 May in the respective year.

### Employer-related investments

The balance at 31 March 2026 includes contributions due from employers totalling £328,084k (2024/25: £278,700k), which were received after their statutory due dates as required by the payment schedules. These represent employer-related investments at year-end of 0.5% of the Scheme's total net assets (2024/25: 0.6%), 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 88](#).

## 10.2 Current assets and liabilities not allocated to members

	31 March 2026 £000	31 March 2025 £000
Cash	15,996	7,128
Other receivables	1,106	672
<b>Current assets</b>	<b>17,102</b>	<b>7,800</b>
Contribution charge payable	(428)	(449)
Other payables	(583)	(530)
<b>Current liabilities</b>	<b>(1,011)</b>	<b>(979)</b>
<b>Total net assets not allocated to members</b>	<b>16,091</b>	<b>6,821</b>

## 11. Contingent liabilities and contractual commitments

The following contractual commitments existed at year-end:

	31 March 2026 £000	31 March 2025 £000
Infrastructure equity held in pooled investment vehicles	1,198,728	1,309,867
Property held in a pooled investment vehicle	928,706	632,727
Private credit held in pooled investment vehicles	889,865	534,330
Private equity held in pooled investment vehicles	796,950	1,496,700
Equities	-	131,913
<b>Total</b>	<b>3,814,249</b>	<b>4,105,537</b>

## 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 2026 £000	31 March 2025 £000
<b>Value of stock on loan</b>		
Equities	883,097	475,151
Bonds	647,238	882,560
<b>Total</b>	<b>1,530,335</b>	<b>1,357,711</b>
<b>Collateral held</b>		
Cash	1,010,966	663,383
Equities	359,451	286,276
Bonds	227,549	475,977
<b>Total</b>	<b>1,597,966</b>	<b>1,425,636</b>

### 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 2025/26 was £323,311k (2024/25: £278,224k), of which £6,018k was outstanding at year-end (2024/25: £4,514k).

Nest Corporation is a participating employer in the Scheme. Contributions of £4,732k, relating to both the employer and employee contributions, were payable by Nest Corporation to the Scheme during 2025/26 (£3,917k in 2024/25).

Remuneration and pay for Board members is set by the Secretary of State for Work and Pensions. Total Board member remuneration for 2025/26 was £1,537k (2024/25: £1,119k) 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](https://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 and NT, the Scheme's administrator TCS and the auditors. All transactions with the Trustee were conducted on arm's length terms and in accordance with the Scheme's charging structure. The details of these fees can be seen in the 'Corporation annual report and accounts' at [nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html](https://nestpensions.org.uk/schemeweb/nest/nestcorporation/library.html)

Nest Invest 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 and the Scheme during the year under review (2024/25: 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](https://nestpensions.org.uk)

Members or employers already using Nest can contact the Trustee at [support@nestpensions.org.uk](mailto: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](mailto: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 0707

Contact: [thepensionsregulator.gov.uk/en/contact-us](https://thepensionsregulator.gov.uk/en/contact-us)

Website: [thepensionsregulator.gov.uk](https://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 011 3797

Contact: [moneyhelper.org.uk/en/contact-us/pensions-guidance](https://moneyhelper.org.uk/en/contact-us/pensions-guidance)

Website: [moneyhelper.org.uk](https://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, in accordance with the relevant statutory framework. Such complaints are typically considered by the Ombudsman after they have been raised with the Scheme and have been subject to the Scheme's internal dispute resolution (IDR) procedure. MoneyHelper is available to provide members with independent guidance and support in relation to pension matters at any stage.

Phone: 0800 917 4487

Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)

Website: [pensions-ombudsman.org.uk](https://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](https://moneyhelper.org.uk/en/contact-us/pensions-guidance)

Website: [moneyhelper.org.uk](https://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/](https://maps.org.uk/contact-us/)

Website: [maps.org.uk](https://maps.org.uk)



# Appendices



# Appendix 1

## Top 100 investments

The top 100 investments as at 31 March 2026 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	Number	Investments	% of investments
1	Nvidia Corp	2.26	26	West Cross Industrial Park, Brentford	0.22
2	Apple Inc	1.91	27	AbbVie Inc	0.22
3	Alphabet Inc	1.72	28	Barclays plc	0.21
4	Microsoft Corp	1.49	29	Merck & Co, Inc	0.21
5	Amazon.com Inc	1.07	30	Scotia Gas Networks Ltd	0.21
6	Broadcom Inc	0.72	31	RTX Corp	0.20
7	Taiwan Semiconductor Manufacturing Co Ltd*	0.71	32	Royal Bank of Canada (Time Deposit)	0.20
8	Tesla Inc*	0.61	33	SK hynix Inc	0.20
9	Meta Platforms Inc	0.58	34	Accelerate Infrastructure Opportunities	0.20
10	Samsung Electronics Co Ltd	0.57	35	Tencent Holdings Ltd	0.20
11	Berkshire Hathaway Inc	0.42	36	BPCE SA	0.20
12	JPMorgan Chase & Co (Equity)	0.41	37	Advanced Micro Devices Inc	0.19
13	Eli Lilly and Co	0.39	38	Cisco Systems Inc	0.19
14	Woodside Industrial Estate, Dunstable	0.36	39	AstraZeneca plc	0.19
15	Johnson & Johnson	0.32	40	Visa Inc	0.19
16	ASML Holding NV	0.27	41	NatWest Group plc	0.19
17	The Industrial Property Investment Fund	0.27	42	Credit Agricole SA	0.19
18	Hornsea 1	0.27	43	The Home Depot Inc	0.19
19	Industry Super Holdings Pty Ltd	0.27	44	Lloyds Banking Group plc	0.19
20	CBRE Infra GW Holdings L.P. (Gateway Fiber)	0.26	45	Vantage Data Centers	0.18
21	Walmart Inc	0.25	46	Electricite de France SA	0.18
22	Costco Wholesale Corp	0.24	47	Morgan Stanley	0.18
23	Applied Materials Inc	0.24	48	Intel Corporation	0.18
24	Caledon Databank Aggregator, L.P. (Databank)	0.22	49	International Business Machines Corp	0.18
25	HSBC Holdings plc (Corporate bond)	0.22	50	Caterpillar Inc	0.17
			51	Siemens AG	0.17

Number	Investments	% of investments	Number	Investments	% of investments
52	Bank of America Corp (Equity)	0.17	76	HSBC Holdings plc (Equity)	0.15
53	General Electric Company	0.17	77	Thermo Fisher Scientific Inc	0.15
54	Netflix Inc*	0.17	78	Bank of America Corp (Corporate bond)	0.15
55	Mastercard Inc	0.17	79	CBRE Caledon Noah Aggregator L.P. (Norled)	0.14
56	CBRE AIO Infra Holdings L.P. (Accelerate)	0.17	80	Oracle Corp	0.14
57	BNP Paribas SA	0.17	81	Palantir Technologies Inc	0.14
58	Royal Bank of Canada (Corporate bond)	0.16	82	Hitachi Ltd	0.14
59	Mexico (Government bond)	0.16	83	Republic of Turkey (Government bond)	0.14
60	Micron Technology Inc	0.16	84	Alibaba Group Holdings Ltd	0.14
61	Caddo Sustainable Timberlands L.P.	0.16	85	Rolls-Royce Holdings plc	0.14
62	Kinsland Business Park, Basingstoke	0.16	86	Nationwide Building Society	0.14
63	Natus Medical Inc	0.16	87	M&G plc	0.14
64	GE Vernova Inc	0.15	88	Generate Capital, PBC	0.14
65	CCO Holdings LLC	0.15	89	Novartis International AG	0.14
66	Iberdrola SA	0.15	90	CC NB Aggregator, L.P. (Connect Bus)	0.14
67	JPMorgan Chase & Co (Corporate bond)	0.15	91	Aroundtown SA	0.13
68	NARS Recap Investors, LLC	0.15	92	Eclipse	0.13
69	The Coca-Cola Company	0.15	93	Greenbelt Capital Partners Saber L.P.	0.13
70	Wells Fargo & Co	0.15	94	Strand Island Site, London	0.13
71	Honeywell International Inc	0.15	95	Nord Anglia Education	0.13
72	The Goldman Sachs Group Inc	0.15	96	ServiceNow Inc	0.13
73	CBRE Caledon CS Holdings Inc. (CitySwitch)	0.15	97	TotalEnergies SE	0.13
74	Procter & Gamble Co	0.15	98	UnitedHealth Group Inc	0.13
75	Fremman 1 MM Co-Investment 6 Pall Mall 2 SCSp	0.15	99	SW (Finance) I plc	0.13
			100	Analog Devices Inc	0.13

# Appendix 2

## Nest Retirement Date Funds performance

The below fund performance figures have been prepared in accordance with the statutory guidance issued by the DWP in 'Completing the annual Value for Members assessment and reporting of net investment returns (June 2021)'. As the 1.8% contribution charge is deducted prior to investment with Northern Trust, the returns presented exclude the impact of this charge. Further context on Scheme fund performance is provided in 'Investment developments' on [page 48](#). Where a fund has not existed for the relevant reporting period (see inception date), no return is presented and a " - " is used.

Nest Retirement Date Funds	Fund performance one year to 31 March 2026	Annualised fund performance three years to 31 March 2026	Annualised fund performance five years to 31 March 2026*	Annualised fund performance ten years to 31 March 2026	Inception
	%	%***	%	%	
<b>UK CPI INDEX*</b>	3.3	3.0	5.2	3.5	N/A
Nest 2025 Retirement Fund	8.9	8.1	4.8	6.3	August 2011
Nest 2026 Retirement Fund	9.3	8.5	5.1	6.8	August 2011
Nest 2027 Retirement Fund	10.1	9.0	5.5	7.2	August 2011
Nest 2028 Retirement Fund	10.9	9.5	5.9	7.5	August 2011
Nest 2029 Retirement Fund	11.7	10.0	6.3	7.9	August 2011
Nest 2030 Retirement Fund	12.5	10.4	6.7	8.1	August 2011
Nest 2031 Retirement Fund	13.0	10.6	6.9	8.3	August 2011
Nest 2032 Retirement Fund	13.3	10.9	7.1	8.4	August 2011
Nest 2033 Retirement Fund	13.5	11.1	7.2	8.5	August 2011
Nest 2034 Retirement Fund	13.8	11.2	7.3	8.5	August 2011
Nest 2035 Retirement Fund	14.1	11.3	7.3	8.6	August 2011
Nest 2036 Retirement Fund	14.2	11.3	7.4	8.6	August 2011
Nest 2037 Retirement Fund	14.2	11.3	7.4	8.6	August 2011
Nest 2038 Retirement Fund	14.2	11.3	7.4	8.6	August 2011
Nest 2039 Retirement Fund	14.2	11.3	7.4	8.6	August 2011
Nest 2040 Retirement Fund	14.2	11.3	7.4	8.6	August 2011
Nest 2041 Retirement Fund	14.1	11.3	7.3	8.6	August 2011
Nest 2042 Retirement Fund	14.0	11.3	7.3	8.6	August 2011
Nest 2043 Retirement Fund	13.8	11.2	7.3	8.5	August 2011
Nest 2044 Retirement Fund	13.7	11.2	7.3	8.5	August 2011
Nest 2045 Retirement Fund	13.6	11.2	7.3	8.5	August 2011
Nest 2046 Retirement Fund	13.5	11.2	7.3	8.5	August 2011
Nest 2047 Retirement Fund	13.5	11.2	7.3	8.5	August 2011
Nest 2048 Retirement Fund	13.5	11.2	7.3	8.5	August 2011
Nest 2049 Retirement Fund	13.5	11.2	7.3	8.5	August 2011
Nest 2050 Retirement Fund	13.5	11.2	7.3	8.5	August 2011
Nest 2051 Retirement Fund	13.5	11.2	7.3	8.5	August 2011

Nest Retirement Date Funds	Fund performance one year to 31 March 2026	Annualised fund performance three years to 31 March 2026	Annualised fund performance five years to 31 March 2026*	Annualised fund performance ten years to 31 March 2026	Inception
	%	%***	%	%	
Nest 2052 Retirement Fund	13.5	11.2	7.3	8.5	August 2011
Nest 2053 Retirement Fund	13.5	11.2	7.3	8.4	August 2011
Nest 2054 Retirement Fund	13.5	11.2	7.3	8.3	August 2011
Nest 2055 Retirement Fund	13.5	11.2	7.3	8.1	August 2011
Nest 2056 Retirement Fund	13.5	11.2	7.3	8.0	August 2011
Nest 2057 Retirement Fund	13.5	11.2	7.3	7.9	August 2011
Nest 2058 Retirement Fund	13.5	11.2	7.3	7.9	January 2012
Nest 2059 Retirement Fund	13.5	11.2	7.3	7.8	January 2013
Nest 2060 Retirement Fund	13.5	11.2	7.3	7.7	January 2014
Nest 2061 Retirement Fund	13.3	11.1	7.1	7.4	January 2015
Nest 2062 Retirement Fund	13.1	11.0	6.9	7.2	January 2016
Nest 2063 Retirement Fund	12.8	10.9	6.6	-	January 2017
Nest 2064 Retirement Fund	12.6	10.5	6.4	-	January 2018
Nest 2065 Retirement Fund	12.3	10.4	6.4	-	January 2019
Nest 2066 Retirement Fund	12.1	10.4	6.3	-	January 2020
Nest 2067 Retirement Fund	11.7	10.3	6.3	-	January 2021
Nest 2068 Retirement Fund	11.6	10.2	-	-	January 2022
Nest 2069 Retirement Fund	11.6	10.2	-	-	January 2023
Nest 2070 Retirement Fund	11.6	-	-	-	January 2024
Nest 2071 Retirement Fund	11.6	-	-	-	January 2025
Nest 2072 Retirement Fund	-	-	-	-	January 2026
Nest Starter Fund**	11.6	10.2	6.2	6.8	August 2011
Nest Guided Retirement Fund - Later Life Fund	4.0	4.6	0.4	-	March 2020
Nest Guided Retirement Fund - Safe Fund	3.5	4.4	2.7	-	March 2020
Nest Guided Retirement Fund - Vault Fund	9.5	8.8	5.0	-	March 2020
Nest Guided Retirement Fund - Wallet Fund	3.5	4.4	3.0	-	March 2020
Nest Post Retirement Date Fund^	4.4	5.1	3.0	1.9	November 2013
Nest Ready to Retire Fund†	8.8	7.8	-	-	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' pots 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 five-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 one-, three-, and ten-year periods, consistent with its long-term investment strategy.

# Appendix 3

## Transaction costs for the year ended 31 March 2026

These transaction costs have been disclosed in accordance with the Chair's governance report on [page 34](#).

Fund	Average weighted transaction costs %	Fund	Average weighted transaction costs %
Nest 2025 Retirement Fund	0.037	Nest 2056 Retirement Fund	0.057
Nest 2026 Retirement Fund	0.039	Nest 2057 Retirement Fund	0.057
Nest 2027 Retirement Fund	0.042	Nest 2058 Retirement Fund	0.057
Nest 2028 Retirement Fund	0.045	Nest 2059 Retirement Fund	0.057
Nest 2029 Retirement Fund	0.048	Nest 2060 Retirement Fund	0.057
Nest 2030 Retirement Fund	0.050	Nest 2061 Retirement Fund	0.057
Nest 2031 Retirement Fund	0.052	Nest 2062 Retirement Fund	0.056
Nest 2032 Retirement Fund	0.054	Nest 2063 Retirement Fund	0.053
Nest 2033 Retirement Fund	0.055	Nest 2064 Retirement Fund	0.052
Nest 2034 Retirement Fund	0.056	Nest 2065 Retirement Fund	0.051
Nest 2035 Retirement Fund	0.056	Nest 2066 Retirement Fund	0.050
Nest 2036 Retirement Fund	0.057	Nest 2067 Retirement Fund	0.048
Nest 2037 Retirement Fund	0.057	Nest 2068 Retirement Fund	0.046
Nest 2038 Retirement Fund	0.057	Nest 2069 Retirement Fund	0.054
Nest 2039 Retirement Fund	0.057	Nest 2070 Retirement Fund	0.053
Nest 2040 Retirement Fund	0.057	Nest 2071 Retirement Fund	0.046
Nest 2041 Retirement Fund	0.057	Nest 2072 Retirement Fund	0.043
Nest 2042 Retirement Fund	0.057	Nest Starter Fund	0.053
Nest 2043 Retirement Fund	0.057	Nest Guided Retirement Fund - Later Life	0.019
Nest 2044 Retirement Fund	0.057	Nest Guided Retirement Fund - Safe	0.016
Nest 2045 Retirement Fund	0.057	Nest Guided Retirement Fund - Vault	0.086
Nest 2046 Retirement Fund	0.057	Nest Guided Retirement Fund - Wallet	0.019
Nest 2047 Retirement Fund	0.057	Nest Post Retirement Date Fund	0.012
Nest 2048 Retirement Fund	0.057	Nest Ready to Retire Fund	0.034
Nest 2049 Retirement Fund	0.057	Nest Ethical Foundation Fund	0.066
Nest 2050 Retirement Fund	0.057	Nest Ethical Growth Fund	0.099
Nest 2051 Retirement Fund	0.057	Nest Ethical Consolidation Fund	0.036
Nest 2052 Retirement Fund	0.057	Nest Higher Risk Fund	0.069
Nest 2053 Retirement Fund	0.057	Nest Lower Growth Fund	0.010
Nest 2054 Retirement Fund	0.057	Nest Sharia Fund	0.034
Nest 2055 Retirement Fund	0.057		



# 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.

Fund	Asset Allocation per Fund								Total
	Cash	Bonds	Listed equities	Private equity	Infra-structure	Property/Real estate	Private debt/credit	Other	
Nest 2025 Retirement Fund	9.1%	57.5%	22.1%	2.4%	1.8%	5.2%	1.6%	0.3%	100%
Nest 2026 Retirement Fund	9.1%	57.2%	22.4%	2.4%	1.8%	5.2%	1.6%	0.3%	100%
Nest 2027 Retirement Fund	8.5%	54.0%	25.7%	2.8%	1.8%	5.1%	1.7%	0.4%	100%
Nest 2028 Retirement Fund	7.8%	49.7%	30.2%	3.2%	1.8%	5.1%	1.8%	0.4%	100%
Nest 2029 Retirement Fund	7.0%	45.4%	34.7%	3.7%	1.9%	4.9%	1.9%	0.5%	100%
Nest 2030 Retirement Fund	6.3%	40.9%	39.2%	4.2%	2.1%	4.8%	2.0%	0.5%	100%
Nest 2031 Retirement Fund	5.6%	36.2%	43.8%	4.7%	2.3%	4.7%	2.1%	0.6%	100%
Nest 2032 Retirement Fund	5.1%	33.5%	46.2%	4.9%	2.6%	4.8%	2.3%	0.6%	100%
Nest 2033 Retirement Fund	4.8%	31.5%	47.5%	5.1%	3.0%	5.0%	2.5%	0.6%	100%
Nest 2034 Retirement Fund	4.5%	29.8%	49.0%	5.3%	3.1%	5.0%	2.6%	0.7%	100%
Nest 2035 Retirement Fund	4.3%	28.2%	50.5%	5.4%	3.3%	5.0%	2.6%	0.7%	100%
Nest 2036 Retirement Fund	4.1%	26.5%	52.0%	5.6%	3.4%	5.0%	2.7%	0.7%	100%
Nest 2037 Retirement Fund	4.1%	25.5%	52.5%	5.6%	3.7%	5.1%	2.8%	0.7%	100%
Nest 2038 Retirement Fund	4.2%	24.8%	52.5%	5.6%	4.0%	5.3%	2.9%	0.7%	100%
Nest 2039 Retirement Fund	4.3%	24.1%	52.4%	5.6%	4.4%	5.4%	3.1%	0.7%	100%
Nest 2040 Retirement Fund	4.4%	23.4%	52.5%	5.6%	4.7%	5.5%	3.2%	0.7%	100%
Nest 2041 Retirement Fund	4.5%	22.7%	52.3%	5.6%	5.1%	5.7%	3.4%	0.7%	100%
Nest 2042 Retirement Fund	4.5%	22.8%	51.8%	5.6%	5.3%	5.8%	3.5%	0.7%	100%
Nest 2043 Retirement Fund	4.6%	23.1%	51.0%	5.5%	5.5%	6.0%	3.6%	0.7%	100%
Nest 2044 Retirement Fund	4.7%	23.4%	50.3%	5.4%	5.7%	6.2%	3.6%	0.7%	100%
Nest 2045 Retirement Fund	4.8%	23.7%	49.7%	5.3%	5.9%	6.3%	3.7%	0.6%	100%
Nest 2046 Retirement Fund	4.9%	24.0%	49.0%	5.2%	6.1%	6.4%	3.8%	0.6%	100%
Nest 2047 Retirement Fund	4.9%	24.3%	48.2%	5.2%	6.3%	6.6%	3.9%	0.6%	100%
Nest 2048 Retirement Fund	4.9%	24.3%	48.2%	5.2%	6.3%	6.6%	3.9%	0.6%	100%
Nest 2049 Retirement Fund	4.9%	24.3%	48.2%	5.2%	6.3%	6.6%	3.9%	0.6%	100%
Nest 2050 Retirement Fund	4.9%	24.3%	48.2%	5.2%	6.3%	6.6%	3.9%	0.6%	100%
Nest 2051 Retirement Fund	4.9%	24.3%	48.2%	5.2%	6.3%	6.6%	3.9%	0.6%	100%
Nest 2052 Retirement Fund	4.9%	24.3%	48.2%	5.2%	6.3%	6.6%	3.9%	0.6%	100%
Nest 2053 Retirement Fund	4.9%	24.3%	48.2%	5.2%	6.3%	6.6%	3.9%	0.6%	100%
Nest 2054 Retirement Fund	4.9%	24.3%	48.2%	5.2%	6.3%	6.6%	3.9%	0.6%	100%
Nest 2055 Retirement Fund	4.9%	24.3%	48.2%	5.2%	6.3%	6.6%	3.9%	0.6%	100%
Nest 2056 Retirement Fund	4.9%	24.3%	48.2%	5.2%	6.3%	6.6%	3.9%	0.6%	100%
Nest 2057 Retirement Fund	4.9%	24.3%	48.2%	5.2%	6.3%	6.6%	3.9%	0.6%	100%

Fund	Asset Allocation per Fund								Total
	Cash	Bonds	Listed equities	Private equity	Infra-structure	Property/Real estate	Private debt/credit	Other	
Nest 2058 Retirement Fund	4.9%	24.3%	48.2%	5.2%	6.3%	6.6%	3.9%	0.6%	100%
Nest 2059 Retirement Fund	4.9%	24.3%	48.2%	5.2%	6.3%	6.6%	3.9%	0.6%	100%
Nest 2060 Retirement Fund	4.9%	24.3%	48.2%	5.2%	6.3%	6.6%	3.9%	0.6%	100%
Nest 2061 Retirement Fund	4.9%	24.3%	48.2%	5.2%	6.3%	6.6%	3.9%	0.6%	100%
Nest 2062 Retirement Fund	5.0%	24.6%	47.4%	5.1%	6.5%	6.8%	4.0%	0.6%	100%
Nest 2063 Retirement Fund	5.1%	25.2%	46.1%	4.9%	6.9%	7.1%	4.1%	0.6%	100%
Nest 2064 Retirement Fund	5.3%	25.9%	44.4%	4.8%	7.3%	7.4%	4.3%	0.6%	100%
Nest 2065 Retirement Fund	5.4%	26.5%	42.9%	4.6%	7.7%	7.8%	4.5%	0.6%	100%
Nest 2066 Retirement Fund	5.5%	27.1%	41.7%	4.4%	8.1%	8.1%	4.6%	0.5%	100%
Nest 2067 Retirement Fund	5.7%	27.7%	40.1%	4.3%	8.5%	8.4%	4.8%	0.5%	100%
Nest 2068 Retirement Fund	5.9%	28.6%	37.9%	4.1%	9.1%	8.9%	5.0%	0.5%	100%
Nest 2069 Retirement Fund	6.0%	28.9%	37.3%	4.0%	9.2%	9.0%	5.1%	0.5%	100%
Nest 2070 Retirement Fund	6.0%	28.9%	37.3%	4.0%	9.2%	9.0%	5.1%	0.5%	100%
Nest 2071 Retirement Fund	6.0%	28.8%	37.4%	4.0%	9.2%	9.0%	5.1%	0.5%	100%
Nest 2072 Retirement Fund	5.9%	28.8%	37.5%	4.0%	9.2%	9.0%	5.1%	0.5%	100%
Nest Starter Fund	6.0%	28.9%	37.3%	4.0%	9.2%	9.0%	5.1%	0.5%	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	2.3%	59.6%	26.3%	-	4.7%	7.1%	-	-	100%
Nest Guided Retirement Fund - Wallet Fund	100.0%	-	-	-	-	-	-	-	100%
Nest Post Retirement Date Fund	24.9%	75.1%	-	-	-	-	-	-	100%
Nest Ready to Retire Fund	9.1%	57.5%	22.1%	2.4%	1.8%	5.2%	1.6%	0.3%	100%
Nest Ethical Foundation Fund	7.6%	29.9%	43.8%	-	6.9%	11.8%	-	-	100%
Nest Ethical Growth Fund	0.2%	23.3%	58.2%	-	7.7%	10.6%	-	-	100%
Nest Ethical Consolidation Fund	15.2%	60.3%	24.5%	-	-	-	-	-	100%
Nest Higher Risk Fund	1.4%	11.4%	75.3%	8.0%	-	1.6%	1.3%	1.0%	100%
Nest Lower Growth Fund	24.9%	75.1%	-	-	-	-	-	-	100%
Nest Sharia Fund	-	31.1%	68.9%	-	-	-	-	-	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 £24,100 (based on an illustrative member), real qualifying earnings of £17,860 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.

Years saving	Retirement Date Fund		Ethical Fund		Higher Risk Fund (non-lifestyled)		Higher Risk Fund (lifestyled)		Sharia Fund		Lower Growth Fund	
	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	1,440	1,412	1,440	1,411	1,455	1,426	1,455	1,426	1,455	1,426	1,425	1,397
3	4,382	4,282	4,382	4,281	4,511	4,409	4,511	4,409	4,511	4,411	4,255	4,158
5	7,787	7,591	7,787	7,586	8,026	7,823	8,026	7,823	8,027	7,830	7,305	7,118
10	18,327	17,761	18,324	17,729	18,607	18,013	18,607	18,013	18,611	18,045	15,458	14,951
15	30,870	29,729	30,858	29,654	31,194	29,999	31,194	29,999	31,206	30,083	23,564	22,616
20	45,518	43,571	45,488	43,428	45,888	43,854	45,888	43,854	45,921	44,021	31,431	29,930
25	62,709	59,690	62,647	59,445	63,127	59,974	63,127	59,974	63,198	60,268	39,155	36,991
30	82,779	78,379	82,665	77,987	83,244	78,649	83,244	78,649	83,379	79,123	46,669	43,739
35	105,968	99,833	105,773	99,241	106,477	100,070	106,477	100,070	106,710	100,792	53,776	49,984
40	130,226	121,967	129,928	121,190	133,069	124,434	130,770	122,220	133,450	125,488	60,259	55,525
45	150,749	140,070	150,369	139,243	163,507	152,169	151,319	140,345	164,100	153,659	66,104	60,360
46	154,260	143,076	153,868	142,253	170,173	158,230	154,834	143,354	170,817	159,822	67,259	61,304

\* 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 101](#).

\*\* 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 5 year averages with the most recent year of values as published in the Scheme annual report and accounts 2024/25. These figures will be updated at least annually.

### 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 £27,600 (based on an illustrative member), real qualifying earnings of £21,360 that reflect a pattern of earnings in line with ONS data and Nest scheme data.

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

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

Years saving	Retirement Date Fund		Ethical Fund		Higher Risk Fund (non-lifestyled)	
	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	1,740	1,706	1,740	1,705	1,740	1,705
3	5,395	5,274	5,395	5,272	5,395	5,273
5	9,298	9,064	9,297	9,057	9,297	9,060
10	20,066	19,428	20,063	19,398	20,064	19,411
15	32,120	30,889	32,109	30,821	32,283	31,017
20	43,872	41,862	43,852	41,780	45,952	43,857
21	46,114	43,929	46,092	43,849	48,926	46,636
22	48,307	45,942	48,284	45,864	51,995	49,499
23	50,442	47,893	50,418	47,818	55,162	52,449

Years saving	Higher Risk Fund (lifestyled)		Sharia Fund		Lower Growth Fund	
	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	1,740	1,705	1,740	1,706	1,704	1,671
3	5,395	5,273	5,395	5,276	5,089	4,973
5	9,297	9,060	9,298	9,068	8,441	8,223
10	20,064	19,411	20,068	19,448	16,527	15,973
15	32,114	30,858	32,297	31,108	24,039	23,043
20	43,862	41,828	45,988	44,034	30,788	29,261
21	46,103	43,894	48,969	46,835	32,094	30,450
22	48,296	45,907	52,045	49,721	33,395	31,631
23	50,430	47,857	55,219	52,696	34,690	32,802

\* 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 101](#).

\*\* 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 5 year averages with the most recent year of values as published in the Scheme annual report and accounts 2024/25. These figures will be updated at least annually.

### 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 £27,100 (based on an illustrative member), real qualifying earnings of £20,860 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.

Years saving	Retirement Date Fund		Ethical Fund		Higher Risk Fund (non-lifestyled)	
	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	1,699	1,666	1,699	1,665	1,699	1,666
3	5,079	4,964	5,079	4,962	5,087	4,971
5	8,628	8,408	8,627	8,404	8,703	8,480
10	17,398	16,823	17,397	16,818	18,292	17,692
11	19,142	18,480	19,141	18,477	20,374	19,678
12	20,876	20,123	20,875	20,121	22,524	21,725

Years saving	Higher Risk Fund (lifestyled)		Sharia Fund		Lower Growth Fund	
	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	1,699	1,666	1,699	1,666	1,664	1,632
3	5,079	4,964	5,087	4,974	4,795	4,685
5	8,627	8,408	8,704	8,488	7,895	7,691
10	17,398	16,822	18,296	17,726	15,012	14,505
11	19,142	18,479	20,379	19,720	16,391	15,811
12	20,876	20,122	22,530	21,775	17,763	17,107

\* 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 101](#).

\*\* 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 5 year averages with the most recent year of values as published in the Scheme annual report and accounts 2024/25. These figures will be updated at least annually.

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

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 £26,000 (based on an illustrative member), real qualifying earnings of £19,760 that reflect a pattern of earnings in line with ONS data and Nest scheme data.

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

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

Years saving	NGRF – £10,000		NGRF – £15,000		NGRF – £20,000	
	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	11,739	11,676	16,812	16,733	21,885	21,789
2	13,374	13,244	18,521	18,358	23,668	23,472
3	15,031	14,829	20,253	20,001	25,475	25,173
4	16,712	16,432	22,009	21,663	27,307	26,893
5	18,416	18,053	23,790	23,342	29,164	28,632
6	20,144	19,691	25,595	25,041	31,046	30,390

Years saving	NGRF – £25,000		NGRF – £30,000		NGRF – £35,000	
	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	26,958	26,846	32,031	31,903	37,105	36,960
2	28,815	28,586	33,962	33,701	39,109	38,815
3	30,697	30,346	35,918	35,518	41,140	40,690
4	32,604	32,124	37,901	37,355	43,199	42,585
5	34,537	33,922	39,911	39,211	45,285	44,501
6	36,497	35,739	41,948	41,088	47,399	46,437

\* 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 101](#).

\*\* 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 5 year averages with the most recent year of values as published in the Scheme annual report and accounts 2024/25. These figures will be updated at least annually.

### Statutory money purchase illustration (SMPI) investment growth assumptions

Fund name	Phase	Nest investment objective	SMPI investment growth rate
<b>Default investment strategy</b>			
Nest Retirement Date Funds	Foundation	To deliver investment growth after inflation and charges are taken into account	4% 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 0.5% per year, after all charges	4%
Post Retirement Date Fund – Series 2	Retirement income	CPI plus 0% per year, after all charges	4%
<b>Additional investment fund choices</b>			
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 <small>Note: For non-lifestyled version of the Nest Higher Risk Fund, the consolidation phase is not applicable</small>	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%
	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](https://nestpensions.org.uk/schemeweb/nest/nestcorporation/investment-approach/investment-principles.html) or by request using the contact information on [page 84](#).

## 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-authorized 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 members' savings journey.

## 14. The default strategy portfolio building blocks

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

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

- 14.2. By varying allocations between 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

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

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<sup>1</sup> 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.

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

#### 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.

## Appendix 7

### Glossary

AAF	Audit and Assurance Faculty Framework of the ICAEW	NIB	Nest Invest Board
AMC	Annual Management Charge	ONS	Office for National Statistics
AUM	Assets Under Management	OPS	Occupational Pension Scheme
CASS	Client Assets Sourcebook	OTC	Over-the-counter derivatives
CEO	Chief Executive Officer	PMI	Pensions Management Institute
CFA	Chartered Financial Analyst	PRAG	Pensions Research Accountants Group
CFO	Chief Financial Officer	RAIF	Reserved alternative investment funds
CGT	Capital Gains Tax	REIT	Real Estate Investment Trust
CIO	Chief Investment Officer	RSA	The Royal Society for Arts, Manufactures and Commerce
CPI	Consumer Price Index	SIP	Statement of Investment Principles
DC	Defined Contribution	SIPP	Self-Invested Personal Pension
DE&I	Diversity, Equity and Inclusion	SMF2	Senior Management Function 2 (Chief Finance Function)
DWP	Department for Work and Pensions	SMPI	Statutory Money Purchase Illustration
ESG	Environmental, Social and Governance	SORP	Statement of Recommended Practice
ETF	Exchange-Traded Fund	SSAS	Small Self-Administered Scheme
FCA	Financial Conduct Authority	STT	State Street Bank and Trust Company
FAD	Flexi-access drawdown	TCFD	Task Force on Climate-related Financial Disclosures
FRS	Financial Reporting Standard	TCS	Tata Consultancy Services Ltd
FTSE	Financial Times Stock Exchange	TPO	The Pensions Ombudsman
FX	Foreign Exchange	TPR	The Pensions Regulator
GAAP	Generally Accepted Accounting Practice	UCITS	Undertakings for Collective Investment in Transferable Securities
HMRC	HM Revenue & Customs	UFPLS	Uncrystallised Funds Pension Lump Sum
ICAEW	Institute of Chartered Accountants in England and Wales	UKGI	United Kingdom Government Investment
IDR	Internal Disputes Resolution Procedure		
IRD	Intended Retirement Date		
LGIM	Legal & General Investment Management		
LGPS	Local Government Pension Scheme		
MaPS	Money and Pensions Service		
NGRF	Nest Guided Retirement Fund		





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