



# Corporate plan 2020–2023

Helping millions enjoy  
a better retirement





**In the midst of this challenging time, Nest's mission to improve the financial security of millions of savers is more important than ever.**



Helen Dean  
Chief Executive Officer, Nest Corporation





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# Cautionary statement

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

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

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

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

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

All figures used in this document are as at 31 March 2020.



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# CEO's statement

At Nest we look after pension savings for over a quarter of the working population in the UK. That's a huge privilege. And it gives us a profound sense of purpose in doing everything we can to grow our members' savings and make a real difference to their lives.



Helen Dean, Chief Executive Officer

Today, we're one of the biggest pension schemes by membership in the UK. We serve over 9 million members and 800,000 employers, and we're now managing £9.5 billion on behalf of our members. We are unlike all other pension schemes in the UK in that we have a legal obligation to accept any employer that wishes to use us.

By operating at this scale, Nest can have a significant impact. We can achieve better value for money in our administration and investments, which in turn supports what we do to deliver better financial outcomes for our members. And we can make a difference to the society and the environment our members live in, by investing their money responsibly.

In this three-year plan, we talk about how we'll continue to deliver on our mission to help millions enjoy a better retirement.



**We're proud to be among the first pension providers in the UK to commit to transitioning to a net zero carbon strategy.**



## Our principles and purpose

Nest serves the new generation of savers who are now automatically enrolled into saving by their employer. Many of our members are saving for the first time and they may have different needs and behaviours to those who have been saving in private pensions for longer. Others will have been automatically enrolled later in life and may be saving to supplement a company pension or other plans.

We carry out market-leading research to understand the diverse needs and goals of our members, and we tailor our services accordingly. This member-focused approach defines the way we invest, how we serve our customers and the way we operate as a business.

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

We also have a wider social purpose. It takes shape in how we fulfil our responsibility to help our members achieve a better later life, as well as our commitment to help improve the way the pensions industry works for everyone, including people not currently automatically enrolled into a scheme. We talk about our social purpose on [page 15](#).

## The impact of Covid-19

The coronavirus pandemic is having a significant impact on the lives of our customers, whether they're members, employers or intermediaries such as payroll providers and advisers. Many of our members are low to moderate earners, and we know that some of them will be among those hardest hit by the economic impact of the closures required to halt the spread of the virus. We also know that, sadly, a proportion of the 803,000 employers who use Nest to make pension contributions for their workers may see their trade shrink, or go out of business, as a result of the pandemic.

Our diversified investment portfolio has helped to cushion our members' money from the impact of market falls in the early months of the pandemic. The performance of the investments we make for our members is something we actively monitor and manage.

We've also worked closely with our partners to ensure our customers have continued to receive the services they expect and need throughout the pandemic, with no interruption. As a scheme we've transitioned to working from home (WFH) very effectively, across both our central office in London and our scheme administrator's service centres in Peterborough and India. All our services have remained fully functional.

The pandemic will affect our plans in the coming years, particularly as we actively consider how best to support our customers' evolving needs through this challenging time.

## Our strategy for the next three years

We currently have five strategic priorities which guide our approach to achieving our mission: support strong member outcomes, deliver a good service to our customers, grow the business in the right way, deliver a sustainable business model and deliver a corporation fit for the future. These strategic priorities are outlined in more detail on [page 18](#).

We are preparing for a strategic review in 2021, not least to enable us to reflect on the implications of the economic circumstances we find ourselves in. Any change to our strategic framework will be reflected in our corporate plan for 2021-2024.

Nest is widely recognised as a leader in responsible investment.

We were the first UK pension provider to announce plans to stop investing in tobacco, and our entire portfolio became tobacco-free in August 2020.

We're also proud to be among the first pension providers in the UK to commit to transitioning to a net zero carbon strategy. We helped to develop and launch the UBS Life Climate Aware Fund as part of our portfolio in 2017, and we've been actively challenging the companies we invest in to be more climate aware too. In July 2020 we announced our commitment to align our whole investment portfolio with the goal of limiting global warming to 1.5C above late 19th century levels. Our ambition is for the scheme to be net zero carbon by 2050 or earlier<sup>1</sup>.

<sup>1</sup> [nestpensions.org.uk/schemeweb/nest/aboutnest/investment-approach/How-climate-change-could-impact-your-pension.html](https://nestpensions.org.uk/schemeweb/nest/aboutnest/investment-approach/How-climate-change-could-impact-your-pension.html)



This coming financial year we'll sign a new contract for a scheme administration services provider. Procuring this contract has enabled us to reimagine how the scheme will be run over the next ten years. It also opens up exciting new possibilities for how we can support our members to achieve the best possible savings outcomes.

We're continuously looking for ways to better serve and engage our members through behavioural and consumer research. We've recently launched the Nest Guided Retirement Fund, a new post retirement fund for members who wish to keep some of their money invested with Nest after their retirement date. Our new online member community, 'Your way', will help us better understand our members' diverse journeys to retirement, as well as the tools they want and need to inform their saving decisions.

**Encouraging diversity in our recruitment and hiring, and enabling all of Nest's people to realise their potential, will drive better performance, better decisions and better service for our members.**

And we'll continue to do everything we can to make Nest Corporation a great place to work. Over 90% of our staff tell us they are motivated by Nest's sense of purpose, and staff engagement levels are higher than ever. We're fully committed as an organisation to realising the ambitions and targets in our diversity and inclusion strategy, and we'll be taking further, tangible steps to ensure Nest's staff and leadership reflect the diversity of our membership. Encouraging diversity in our recruitment and hiring, and enabling all of Nest's people to realise their potential, will drive better performance, better decisions and, in the end, better service for our members.

As well as being a pensions master trust, Nest is a public corporation that operates at arm's length from the government. We are accountable to Parliament through the Department for Work and Pensions (DWP). Nest's work contributes directly to the delivery of DWP's strategic objective to 'ensure financial security for current and future pensioners'. Playing our part in delivering this objective inspires us to take a broad view on how to best support the financial wellbeing in retirement of both our current members and potential future ones.

In the midst of this challenging time, not just here in the UK but around the world, Nest's mission to improve the financial security of millions of savers is more important than ever. We'll do everything we can to support our customers - today, tomorrow and over the long term.

Helen Dean  
Chief Executive Officer,  
Nest Corporation







# Highlights

2019/20 performance against our strategic priorities

## Outcomes



**Support strong member outcomes**

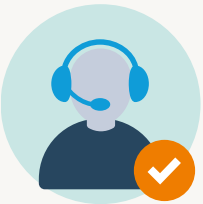


Five-year rolling annualised returns in the Nest 2040 fund after annual management charges to 31 March 2020

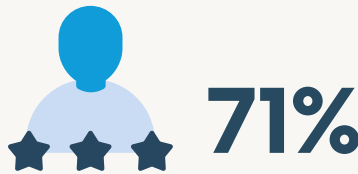


Account registration  
(% of members who have registered for online account access)

## Service



**Deliver a good service to customers**



Employer satisfaction\*  
(from the 'Voice of the customer' survey March 2020)



Member satisfaction\*  
(from the 'Voice of the customer' survey November 2019)

## Sustainable business model



**Deliver a sustainable future business model**



Total annual contributions



Scheme income growth to £107m

\*Satisfaction scores are based on those giving an 8-10 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 of members, with a smaller respondent base, are also conducted.

## Growth



Grow the business, in the right way

£400m

per month in new contributions

7,000

net new employers joined Nest on average each month

## Corporation



Deliver a corporation fit for the future

40%

of director-level roles and above are held by women, exceeding the Women in Finance Charter target of 30%

26%

of staff are from a Black, Asian and Minority Ethnic (BAME) background

## Awards and recognitions

Nest won four awards in 2019/20, along with receiving recognition for our efforts to boost female leadership. We were also awarded a Defaqto 5-star rating.



BEST INVESTMENT STRATEGY AWARD



ULTIMATE DEFAULT FUND



WINNER

Target Date Fund Manager of the Year

NEST



CIO Magazine, DC Innovation Award 2019



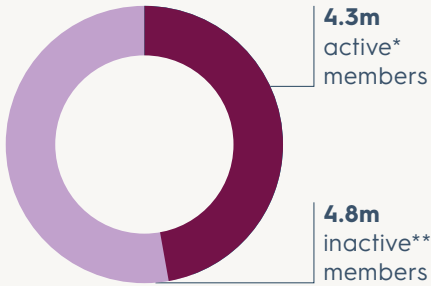
Global Women 4 Wellbeing



# Key figures

As at 31 March 2020

## Members



**9.1m**

Total members



**53%**

Male



**47%**

Female

0.005% of our membership did not have a gender listed on their Nest enrolment.



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

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



## Employers



**803k**

Employers using Nest



**11.8k**

Self-employed members



**24.6k**

Nest Connectors

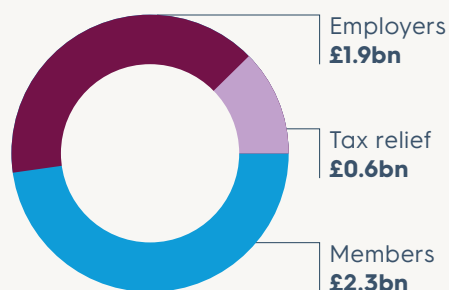
(intermediaries such as advisers and payroll providers using Nest's web services)



**98%**

of employers using Nest have less than 50 employees

## How Nest manages members' money



**£4.8bn**

Total annual contributions



**£9.5bn**

Assets under management as at 31 March 2020, up from £5.7bn the previous year



**99%**

Service channels were available more than 99% of the time in 2019/20

# The things that make Nest, Nest

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



## Built around customers' needs and behaviours

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



## Not for profit

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



## Excellence in investments and governance

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



## A broader social purpose

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



## Low charges, and open to all employers

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



## An organisation that lives our values

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

# Nest's social purpose

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

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

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

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

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

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

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

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









# Our strategic priorities

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



## Support strong member outcomes

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



## Deliver a sustainable future business model

We'll agree and implement a new approach to service delivery following the expiry of our current scheme administration contract. We'll maintain a cost-efficient business model to ensure we can repay the loan from government.



## Deliver a good service to customers

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



## Deliver a corporation fit for the future

We'll develop the corporation as an organisation to ensure we are well governed and ready to manage the scheme at growing scale.



## Grow the business, in the right way

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

# What we'll do to deliver our strategic priorities

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

We are preparing for a strategic review in 2021, not least to enable us to reflect on the implications of the economic circumstances we find ourselves in. Any change to our strategic framework will be reflected in our corporate plan for 2021-2024.

## Support strong member outcomes

### Grow members' assets in a way fit for our growing membership

Our members are saving for their future, so we think carefully about how to grow their money for many years to come. Our investment objective for the growth phase of our default strategy, the Nest Retirement Date Funds, is to outperform inflation, as measured by the consumer price index (CPI), by 3% after all charges over a five-year rolling period. The 2040 Nest Retirement Date Fund is currently representative of the growth phase, which is where most members' money is invested for the longest period of time.

Shorter term investment performance in 2019/20 suffered due to pandemic-related market volatility in March 2020. Although we fell short of our goal of outperforming inflation by 3% after all charges in the 2040 fund, returns over five years continued to outperform inflation after all charges, and our members' savings have been cushioned from much of the impact of the crisis due to our highly diversified portfolio.

Periods of volatility are to be expected in pension saving. While equity markets have predominately experienced growth in the last decade, our investment approach has always anticipated that this growth would eventually be interrupted, as is currently being experienced around the world. We'll continue to diversify the scheme's portfolio to help our members achieve good long-term outcomes and reduce the level of volatility within their investments.

We'll also maintain our commitment to responsible investment, a commitment that we know resonates with our members, as detailed in our annual responsible investment reports<sup>2</sup>.

<sup>2</sup> [nestpensions.org.uk/schemeweb/nest/aboutnest/investment-approach/responsible-investment.html](https://nestpensions.org.uk/schemeweb/nest/aboutnest/investment-approach/responsible-investment.html)

We believe members' retirement savings should be protected from the negative impacts of climate change. In 2017 we helped develop and launch the UBS Life Climate Aware Fund, which puts part of the scheme's portfolio into companies that are tackling climate change head-on. We believe the Climate Aware Fund will outperform traditional investments over the long term because it's better positioned to manage the risks of climate change and seek opportunities to build our low-carbon future.

**We'll be extending our climate-aware approach across our entire portfolio. This will include ending our investment in certain fossil fuels.**

In July 2020 we published our new climate change policy so that members, employers and partners can see how we plan to meet our ambition to align our whole portfolio with the Paris Agreement's goals. Over the next three years we'll be extending our climate-aware approach across our entire portfolio. This will include:

- continuing to build our private credit allocation, with a particular focus on investing directly in renewable and green energy projects like solar farms, wind farms and smart meter development
- ending our investment in companies involved in certain fossil fuels and business activities, including thermal coal, oil sands and arctic drilling
- taking a climate-aware view on investments in industries from finance to food
- using our voice as a major shareholder to hold the companies we invest in to account on climate change
- engaging with other investors and the government on policy issues such as carbon pricing

We've won many awards for our investment strategies. We're continuously looking for ways to increase value for members. As part of this, we're developing an investment roadmap to help us better understand what opportunities will arise over the next decade from the continuing growth of the scheme's assets under management, from ways to further diversify our portfolio to changes that will ensure our members' money continues to be invested and managed efficiently and effectively.

### **Keep members' assets and data safe**

Over the next three years we'll continue to reinforce the practices and procedures we've established to maintain value for members and minimise risks, aiming always to reflect and anticipate changes to the environment we operate in. We'll continue to publish our annual audited report of the controls we have in place, including whether any of our controls weren't met and what we're doing to address this.

In September 2019 we received master trust authorisation from The Pensions Regulator (TPR). The process of applying for and receiving authorisation, as well as ongoing supervision by TPR, provides assurance that we're meeting its rigorous standards for master trusts in the areas of governance, operations, planning, funding and future sustainability.

In April 2020 TPR and the Institute for Chartered Accountants in England and Wales (ICAEW) issued a revision of the AAF 02/07, known as the Tech 05/20, in line with the requirements of master trust supervision. It introduces reporting against scheme strategy and funding which we'll be adopting for 2020/21.

### **Deliver a targeted approach to member engagement**

Over the next three years we'll continue to draw from the latest consumer and behavioural research to build tools and communications to engage our members and build their trust in Nest. We'll develop the channels that we're already using, including digital and social media, to engage more members in a timely and effective way. This includes optimising members' experiences on mobile devices, since about 50% of our members logging in to their account do so using a mobile device. We'll also work to ensure that our digital content continues

to be easy to access and navigate, and that we provide the appropriate tools to help support members in planning effectively for their retirement.

We'll reach out to our online member community, 'Your way', to gather feedback on our communications to members and the support we provide throughout their saving journey and into retirement.

### **Ensure members have access to an appropriate retirement solution**

In March 2020 we launched the Nest Guided Retirement Fund. The fund has been designed for our members aged 60 to 70 with a retirement pot of £10,000 or more who choose not to withdraw all of their pension pot on their scheduled retirement date. Eligible pots are now moved automatically to the Nest Guided Retirement Fund, which gives members access to their savings while their pot continues to be invested with Nest.

This new fund will ensure that members who want to keep some of their money invested after retirement have the option of doing so with Nest.

Alongside the launch of the Nest Guided Retirement Fund, we've refreshed our online content, improved our communications and developed a dedicated service team to support better outcomes for our members when they reach retirement. We'll continue to review information from our 'Voice of the customer' surveys, the online member community 'Your way' and our scheme administrator to identify ways to improve our services.



## Develop research and policy work to support our members' needs

Nest Insight, our in-house research unit, conducts multi-method research to develop a fuller understanding of the challenges faced by savers, whether or not they already participate in a defined contribution (DC) workplace saving scheme. Our research considers the different challenges to saving for people who regularly work for an employer, those who work on an irregular basis and those who are self-employed. The goal is to help inform and improve outcomes for savers, as well as for those who are yet to start saving. We do this through an ambitious programme of research, pilot tests, events and publications which are delivered in partnership with academics, think tanks, governments and the business sector.

Current Nest Insight projects include the 'sidecar savings' pilot. This is testing whether a workplace-based emergency savings tool, where extra savings above a set target roll over into pension saving, can enhance individuals' financial wellbeing.

The sidecar savings pilot will provide invaluable insights into how emergency savings and pensions could be combined to improve people's short-term financial resilience alongside their long-term saving for retirement. The pandemic has given us a firsthand view of how important it is to find new ways to help people build more financial security, including having access to liquid savings that can be tapped into when needed. We'll be enlisting more employers to join the trial, and we'll start to share early findings in 2020/21.

For more information see [nestinsight.org.uk](https://nestinsight.org.uk)

We'll also continue to work actively with the policy community, trade bodies and the government to help ensure that policy developments take account of the needs of our members and others like them.

## Deliver a good service to our customers

We've continued to successfully deliver on our obligation to accept any employer that wishes to use Nest. Last year over 83,000 employers signed up to use Nest and over 1.2 million members were enrolled.

Our customer service satisfaction levels are strong. In our annual benchmark surveys, 71% of employers and 61% of members rated Nest's service as 8 to 10 out of 10<sup>3</sup>. To maintain our high-quality service, we'll continue our programme of work to identify areas for improvement.

We've completed reviews of key member journeys, including the experience of retirement and transfers in and out of Nest. We've significantly improved member satisfaction with these processes as measured through member surveys and number of complaints. We've also recently made changes to our death claim process, ensuring this process is quicker and less complex for beneficiaries with small claims.

For employers and intermediaries such as payroll providers and advisers, we're developing new approaches to support payment of contributions and help reduce the volumes of late payments.

<sup>3</sup> Satisfaction scores exclude those responding 'don't know'. They are drawn from the most recent annual survey of employers or members.

## Grow the business, in the right way

Over the next three years we'll continue to progress our sustainable revenue model. We'll do this while retaining our central focus on our target market of low to moderate earners and fulfilling our statutory duty to be open to any employer that wishes to use us.

Going forward, established employers newly choosing Nest to fulfil their auto enrolment duties will be moving from existing contribution payment arrangements. We'll work to ensure that employers can make this transition easily and effectively and that their employees maintain access to their savings during the transition.

We'll maintain our individual transfers solution for our members who would like to consolidate their pension savings into one account.

To support this, we'll continue our work with industry and consumer bodies to drive improvements in the efficiency, availability and security of transfers in and out of the scheme, keeping the best interests of our members at the forefront. We'll also continue to build on wider initiatives such as the pensions dashboards being developed by the Money and Pensions Service. When launched, pensions dashboards will help savers securely connect information about all of their pensions in one easy-to-access spot.

## Deliver a sustainable future business model

### Procure future scheme administration services

In 2010 we entered into a contract with Tata Consultancy Services Limited (TCS) to implement and run pension scheme administration services on our behalf. Our contract with TCS comes to an end in 2023. A programme to procure our future scheme administration services is under way.

In May 2019 we started the procurement process for our next generation of scheme administration services and expect to announce the award of the contract in January 2021. Immediately after this we'll begin to work with the chosen provider to implement the new service.

Over the past decade technology and customer interaction expectations have changed significantly. We aim to take advantage of the efficiencies that these technological advances offer through our next scheme administration contract(s), to better serve our customers and drive down our operational costs.

### Maintain a cost-efficient business model

Nest is in a strong position to repay our loan from government within the parameters set out in the state aid case. Total annual contributions into the scheme reached £4.8 billion last year, bringing total assets under management to £9.5 billion as at 31 March 2020.

Over the next three years we'll continue to focus on delivering value for our members. We'll also monitor the impact of the coronavirus pandemic and current economic downturn on our financial performance.

## Deliver a corporation fit for the future

### Maintain strong standards of governance

Nest is a trust-based workplace pension scheme run by a Trustee, the Nest Corporation. The Trustee is comprised of up to 15 Board members and the employees of Nest Corporation. The Board members are collectively referred to as the Board of Nest Corporation, or simply the Board. As at 31 March 2020 there were 11 Board members.

Each year we review the effectiveness of the Board and its committees, which are responsible, among other things, for monitoring the Trustee's audit and controls, risk strategy, investment strategy, remuneration and organisational culture and determination of escalated disputes with members.

We also continuously review the skills and experience of our Board members, to support succession planning and to identify future recruitment requirements. This includes expanding the overall diversity of the Board membership.

We'll also work with The Pensions Regulator (TPR) to ensure Nest continues to meet the standards set out in the master trust supervision regime.

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

We'll continue to evolve Nest Corporation so that our employees can continue to deliver a high-quality service for our customers.

We're proud of how our organisation has transitioned to working from home (WFH) in response to the coronavirus pandemic. Our flexible working culture meant that we already had systems in place to support home-working. We're learning new techniques every day to make working from home (WFH) easier and more effective. We're also considering how our experience during the pandemic may help us improve our working practices in the future.

We regularly review our approach to recruitment so that we can attract high-quality candidates. During 2020/21 we'll be concluding a review of our employee reward proposition. We'll also continue to provide employees with a range of learning and development opportunities to cultivate the skills they need to progress in their careers.

We'll continue to work towards the goals set forward in Nest's diversity and inclusion strategy. Our commitment to diversity and inclusion extends across the entire organisation, from developing the profile of our Board to the overall composition of our staff.

We hire people based on skill but are committed to ensuring our recruitment and selection process is free of biases and barriers. We'll work to identify and close any pay gaps linked to gender, ethnicity or other protected characteristics. We are undertaking an organisation-wide skills audit and will act on any gaps identified.



**40%**

of director-level roles and above are held by women, exceeding the Women in Finance Charter target of 30%

We aim to have more than 13% of our senior leaders to be people from a Black, Asian and Minority Ethnic (BAME) background. We're committed to continuing to meet or exceed the Women in Finance Charter target of having 30% of senior roles held by women.

We're also committed to continuing to be a Disability Confident Employer (level 2) as set out by the Department for Work and Pensions (DWP) framework, and plan to become a Disability Confident Leader (level 3) in the future. In 2019/20 we worked with Ambitious About Autism piloting work placements for people with autism, and we'll be developing this programme.

We'll continue to work with the third sector, schools, colleges and universities to recruit and attract diverse talent through apprenticeships, internships and graduate placements.

Our work programme for the next three years is ambitious. As an employer, we're committed to balancing our focus on the financial wellbeing of our members with the physical and mental wellbeing of our staff. Overwork harms individuals and, by association, the organisations they work for.

We want Nest to be an environment where individuals can talk openly about mental health and wellbeing and recognise that mental wellbeing is just as important as physical wellbeing. Over the past year, we've begun a significant expansion of our wellbeing programme, and we'll continue to develop and adapt it to support Nest's people. This is especially important given the mental health effects being seen in the UK as a result of working from home (WFH) and social distancing during the pandemic<sup>4</sup>.



**Our commitment to diversity and inclusion extends across the entire organisation, from developing the profile of our Board to the overall composition of our staff.**



<sup>4</sup> [mind.org.uk/news-campaigns/news/uk-government-must-urgently-plan-for-recovery-from-coronavirus-mental-health-crisis-says-mind](https://www.mind.org.uk/news-campaigns/news/uk-government-must-urgently-plan-for-recovery-from-coronavirus-mental-health-crisis-says-mind)







# Acting as a responsible business

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

All of our decisions aim to deliver the best value for our members. We're proud of the fact that many of our decisions have a broader positive impact.

That impact is first and foremost a function of our core business activities: the value delivered to our members through strong investment returns, and the impact of our responsible investment approach and voting guidelines on business practices.

Because our members are investing for the long run, we believe it's important that we incorporate environmental, social and governance (ESG) factors into our investment decisions. This helps generate sustainable, long-term returns for them.

It's also important to use the voting rights that come with share ownership. Voting gives owners of shares a way of telling company directors what actions to take. This shapes how companies do business now and in the future, and influences the value they add to our members' pension pots.

We also create value in other ways: as an employer and through our corporate social responsibility (CSR) agenda. In 2019/20 we started to consider in more detail where we can continue to show leadership in responsible business practices relating to our people, our carbon footprint and our supply chain and this work will continue over the period of this plan.



**We aim to foster an accessible, inclusive workplace with the right culture, capability and capacity to run and steer the Nest scheme as it grows in the future.**



## Nest's people

As we grow and evolve as an organisation, we aim to foster an accessible, inclusive workplace with the right culture, capability and capacity to run and steer the Nest scheme as it grows in the future.

### Attracting, recruiting and retaining diverse talent

We strive to attract the very best employees, then support, reward and promote them in line with their role and performance.

Our strong commitment to diversity and inclusion is key to this, as is our flexible working policy. Our 2020 staff survey found that 81% of our staff believe Nest's diversity is a strength, and 89% say they can strike the right balance between work and home life.

In our recruitment we aim to have gender-balanced interview panels for every position and have our recruiting managers undertake training on best practice and the benefits of a diverse workplace.

We engage with local communities to identify talent and support the development of a broad range of skill sets. We do this through partnerships with the London Borough of Tower Hamlets' WorkPath programme, Queen Mary University of London and others.

## Developing a workforce for the future

We'll continue our work to empower our people and encourage them to reach their full and future potential while upholding Nest's values and behaviours. That includes helping staff from underrepresented groups develop their skills, as well as investing in learning and development for all our people. We support personal development by providing staff with secondment opportunities, mentorships and work shadowing.

In 2019/20 we initiated a new people and development strategy which features changes to annual pay awards and bonuses, performance reviews and staff rewards and recognition. This policy will be launched in 2021/22 to support our commitment to creating a workforce for the future that is both supported and rewarded.

## Ensuring inclusivity in everything Nest does

In 2019/20, 26% of Nest's staff were from a Black, Asian and Minority Ethnic (BAME) background and 50% were women. We're committed to ensuring strong representation in our staff of people from minority ethnic backgrounds, people with disabilities and women. This extends from entry-level positions to director and executive positions, and includes support for career progression.

We've set ambitious but achievable targets in our diversity and inclusion strategy:

- at least 30% of our executive team to be women, and 50% of our leadership to be women, by 2025
- at least 13% of our executive team to be people from a BAME background by 2025, as around 13% of the UK's working-aged population is BAME
- at least 12% of our leadership and executive team to be people with a disability by 2025, as around 12% of the UK's working-aged population have a disability

We benchmark ourselves against other organisations and take part in accreditation programmes such as the Department for Work and Pensions' (DWP) Disability Confident Employer programme, HM Treasury's Women in Finance Charter, the Stonewall Workplace Equality Index, Healthy Workplace Charter and Timewise.

26%



of staff are from a Black, Asian and Minority Ethnic (BAME) background

## Our carbon footprint

We respect the environment in which we operate and aim to make efficient use of natural resources. Our sustainability reporting seeks to conform to the Greening Government Commitments.

We monitor our carbon dioxide equivalent (CO<sub>2</sub>e) emissions, the widely accepted standard for measuring emissions from all greenhouse gases.

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

We use electronic review and records management where possible to reduce paper use. About 36% of the building's waste is recycled or reused. Waste incinerated (about 64%) is sent to an energy-from-waste facility and therefore has an element of energy recovery.

Our CO<sub>2</sub>e is also monitored with respect to business travel. We actively seek to reduce international travel and only undertake it when necessary and unavoidable. In 2019/20 we saw a sharp fall in emissions from private vehicle, rail and air travel. Some of the decline in these emissions was due to restrictions on travel to limit the spread of the novel coronavirus, but going forward we'll look for ways to support such reductions in travel.

Over the next three years we'll look for opportunities to adopt and maintain more sustainable working practices, building on the practices that have proved successful during our organisation-wide period of working from home (WFH) at government's advice.

## Our supply chain

We manage the Nest scheme through an outsourced business model. We're committed to acting ethically and with integrity in all our business relationships. We consider a wide range of environmental, social and governance (ESG) issues, whether we're procuring suppliers and providers or working with them day-to-day to deliver customer services and value for our members.

### Climate-aware practices

We report on the Nest scheme's investment performance against the Task Force for Climate-related Financial Disclosures (TCFD). The TCFD recommends that organisations, including those in the financial sector, provide climate-related financial disclosures in their annual report and accounts.

We work closely with our fund managers on integrating climate-related risks in the scheme's investment strategy.

For example, over the past year we've started to increase our investments in private credit, targeting a portion in positive impact sectors such as wind power, solar power and smart meter development.



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We've instructed our investment-grade bonds fund manager to actively consider opportunities in 'green' bonds. We believe the growing green bond market could help position members' funds ahead of the global energy transition. We're also working with our emerging markets equities fund manager to reduce our members' financial exposure to climate change and invest more in companies with carbon neutral or green revenue streams.

Our UK direct property fund manager achieved a 21% reduction in like-for-like carbon emissions in 2019 when compared with baseline 2010 performance. This exceeded the existing 10-year target to reduce carbon emissions by 20% by 2020.

The UBS Life Climate Aware Fund enables us to understand which companies in our portfolio are most at risk from climate change, which are best prepared and which are already taking action. Part of this understanding comes from encouraging companies in which the scheme invests to disclose a range of information on how they are managing climate-related risks and opportunities in line with the TCFD.

We carry out a comprehensive review of the performance of the Climate Aware Fund once a year and participate in the fund's climate aware advisory group. This group meets quarterly to discuss engagement with companies, climate change trends and possible improvements to how the fund's manager assesses companies.

Our ambition is to make all our portfolios net zero carbon by 2050, in line with the Paris Agreement's efforts to limit global warming to 1.5C above late 19th century levels. How we intend to do this is set out in our climate change policy<sup>5</sup>.

<sup>5</sup> [nestpensions.org.uk/schemeweb/nest/aboutnest/investment-approach/How-climate-change-could-impact-your-pension.html](https://nestpensions.org.uk/schemeweb/nest/aboutnest/investment-approach/How-climate-change-could-impact-your-pension.html)

## Living wage practices

Nest is an accredited living wage employer.

We strongly believe that well governed organisations which treat their workers fairly and meet societal expectations of good behaviour have a better chance of sustaining long-term success and profitability. This includes both paying workers a living wage and ensuring senior management don't award themselves compensation packages vastly out of proportion to their lowest-earning workers.

We'll continue to seek out partners and investment opportunities with a better record on fair pay.

## Eradicating modern slavery

Nest does not condone any activity which constitutes modern slavery or human trafficking under the Modern Slavery Act (MSA) 2015. We monitor our main suppliers for compliance with the MSA.

In 2020/21 we'll be strengthening our modern slavery statement in line with the UK government's first modern slavery statement<sup>6</sup>, published in March 2020. We join the government in the commitment to eradicate modern slavery in our supply chain, reduce prevalence of slavery around the globe and support victims.

<sup>6</sup> [assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/875800/UK\\_Government\\_Modern\\_Slavery\\_Statement.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875800/UK_Government_Modern_Slavery_Statement.pdf)

## Corporate social responsibility

Our CSR programme is focused on supporting charities whose missions resonate with our staff, and on making an impact in communities local to our office in Canary Wharf.

### Volunteering

Nest staff are entitled and encouraged to take four days per year to volunteer with a charity or other not-for-profit organisation of their choice.

Not only do we encourage our people to use their volunteering days as part of our CSR programme, we recognise the skills they gain while volunteering through our performance management structure.

Nest also coordinates volunteer days with organisations in the community near our offices in Canary Wharf. In 2019/20 these included days at a homeless shelter in Whitechapel and with students and graduates participating in the WorkPath programme in Tower Hamlets. This will resume when the health and safety of staff and community can be ensured.











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