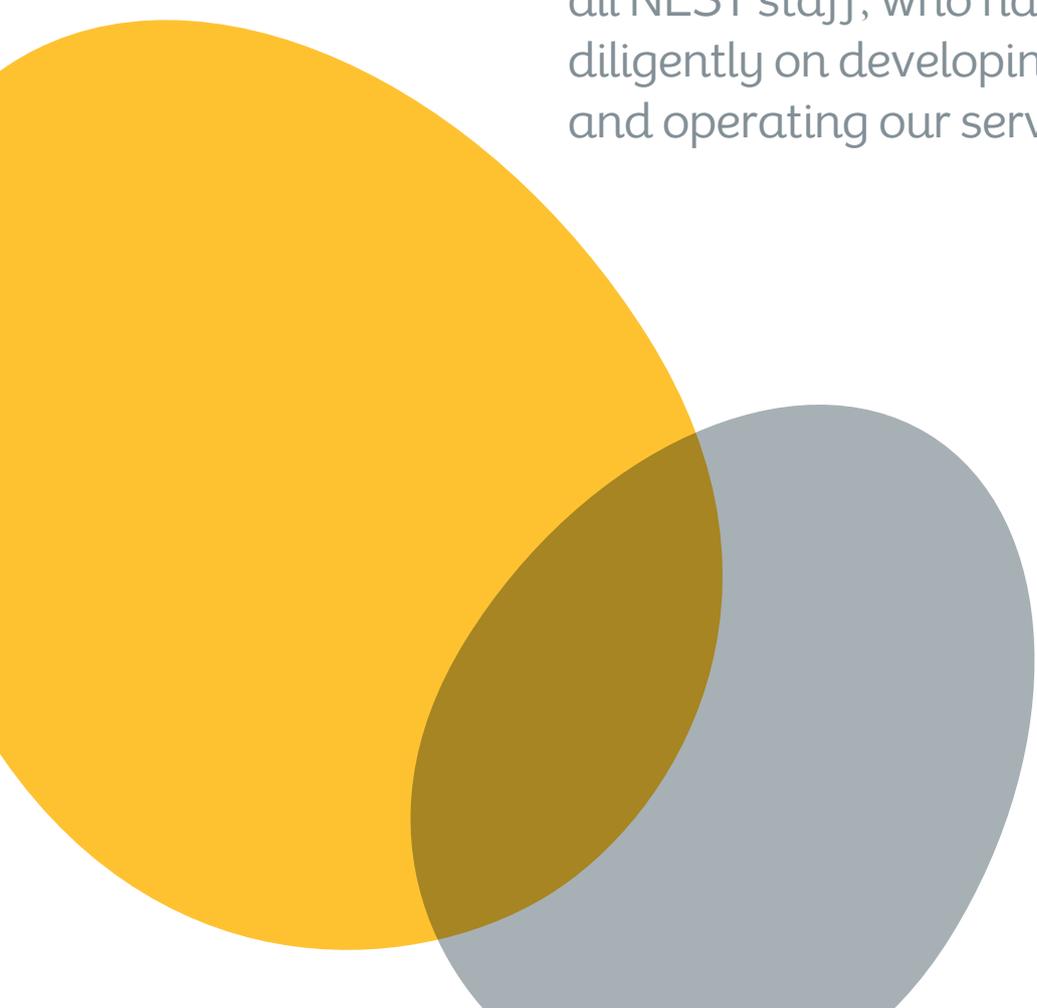




NEST pension scheme annual report and accounts

For the year ended 31 March 2013



“ I would like to pay tribute to the dedication and enthusiasm of all NEST staff, who have worked diligently on developing, supporting and operating our service to members.” “

Contents

-
- 01** **Chair's statement**
page 4 »
-
- 02** **Trustee Members and advisers**
page 6 »
-
- 03** **Trustee Members' report**
page 7 »
-
- 04** **Investment report**
page 29 »
-
- 05** **Independent Auditor's Report to the Trustee of NEST
pension scheme**
page 43»
-
- 06** **Financial statements**
page 44 »
-
- 07** **Other useful information**
page 53 »
-
- Appendix - Schedule of top 100 investments**
page 55 »

01 Chair's statement



This is the second Chair's statement for National Employment Savings Trust (NEST) pension scheme accounts. In this report I would like to highlight the main achievements during the year and comment on some of the risks and challenges NEST continues to face. Further background on NEST Corporation, a non-departmental public body which acts as the Trustee of the scheme can be found in its annual report and accounts at nestpensions.org.uk/NEST-annual-report-accounts-2012-2013

Far and away the most significant achievement was getting ourselves ready to accept members in October 2012 at the onset of the employer duties under the Pensions Act 2008. Employers and their workers are able to use NEST to provide them with a low-cost pension scheme offering good governance, plain English communications, and a specifically designed investment approach.

We have progressively accepted more members into the scheme and by 31 March 2012, the end of our financial year, had 347 employers registered, with over 80,000 members and net assets of around £6m. We are working with a large number of employers in total, who vary from the very small to the very large employers.

Clearly we would not have been in a position to accept members if our business operations had not already been developed and tested and I would like to thank our partner Tata Consulting Services (TCS) for their excellent work in building and operating them.

One adverse event of significance during the year was the discovery of a criminal fraud against NEST Corporation. We responded immediately and have strengthened our defences, although we are chastened by the experience. Steps to recover the losses are still ongoing; our approach is to vigorously pursue recoveries as long as the prospective returns exceed the costs involved. Further information on this episode is provided in my Chair's statement, the chief executive's report and in the governance report in NEST Corporation's Report and Accounts. This fraud did not affect member's savings pots directly, but was in connection with a supplier of services to NEST Corporation; however any unrecovered losses increase the running costs of the scheme.

On a more positive note I would like to pay tribute to the dedication and enthusiasm of all NEST staff, who have worked diligently on developing, supporting and operating our service to members. It has been a tough year, with staff turnover continuing to be in excess of both industry norms and the Trustee's risk appetite. We are looking at ways of tackling this principally through increasing employee engagement and making NEST a great place to work.

In contrast to the stability and continuity of the Board, the executive team has experienced substantial turnover. In particular I would like to pay tribute to Simon Richards, Sam Hainsworth and Nick Carter who left us during the year after years of excellent service. We have strengthened the executive team and extend a warm welcome to Debbie Gupta, Dan Davis, Fiona Smith, John Taylor and Nick Sex in their respective roles.

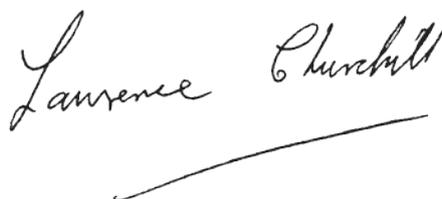
We strongly welcome the government's proposal for a new single tier State Pension as an essential simplification on which occupational and personal pensions can be built.

Rising to the challenge set by the Pensions Minister, we are examining whether and how greater predictability of outcomes could be built into pension schemes in order to encourage and sustain greater levels of saving.

Early signs of lower than anticipated rates of opt out are encouraging. We in NEST need to do what we can to keep people saving, not least by maintaining standards of service.

The coming year promises to be a challenging one in which we must demonstrate a reliable and consistent service to employers who choose to use NEST and to members of the NEST pension scheme.

In these accounts, Mark Fawcett, our chief investment officer, describes in some detail the approach to investing your funds and the performance during the year. While it is encouraging to note that the funds performed better than their long-term target, performance in any single year is less relevant than performance over the longer term. We remain conscious that not everyone is interested in the technical detail of investment strategy and will investigate how we can convey the same messages in a more straightforward manner for next year. What is beyond doubt, however, is that making and maintaining contributions to a pension plan is an excellent way of securing an income in retirement.

A handwritten signature in black ink that reads "Lawrence Churchill". The signature is written in a cursive style and is positioned above a horizontal line that extends to the right.

Lawrence Churchill CBE
Chair
NEST Corporation

5 July 2013

02 Trustee Members and advisers

Trustee and Trustee Members

The NEST Corporation is Trustee of the scheme. The Trustee has a Chair and 10 Trustee Members whose profiles are on pages 9 to 13.

Professional names of advisers, banks, custodians and others retained by the Trustee

Scheme administrator	Tata Consultancy Services
Fund administration	State Street Bank and Trust Company
Bank	HSBC Bank Plc
Investment managers	BlackRock F&C Investments HSBC Global Asset Management State Street Global Advisors UBS Global Asset Management Royal London Asset Management (appointed 2 April 2012) Legal and General Investment Management (appointed 28 June 2013)
Lawyers	DLA Piper Field Fisher Waterhouse Squire Sanders
Independent external auditors	KPMG LLP

03 Trustee Members' report

Introduction and constitution of the scheme

The NEST pension scheme, or 'scheme' as we will call it throughout this report, was established by The National Employment Savings Trust Order 2010 (NEST order) which was made on 22 March 2010 and came into force on 5 July 2010. 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.

NEST Corporation is a non-departmental public body (NDPB) established by statute, section 75 of the Pensions Act 2008 (the 'Act'), which came into force on 5 July 2010. It was appointed Trustee of the scheme, under article 4 of NEST's order. The Trustee currently has a Chair and 10 other Trustee Members who have a fiduciary duty to act in the interests of scheme members. The Trustee Members were appointed by the Secretary of State for Work and Pensions as provided for under Schedule 1 of the Act.

Trustee Members set the strategic direction and objectives for NEST Corporation and oversee the running of the scheme to ensure it delivers value for scheme members' money.

Trustee Members are appointed for a term of no more than five years. Trustee Members can be reappointed for a further term by the Secretary of State for Work and Pensions or NEST Corporation as appropriate. Trustee Members can resign by letter to the Chair. The Chair may resign by letter to the Secretary of State. The requirement for member nominated trustees (MNTs) has been disapplied for the scheme (SI 2010/09). The scheme complies with the spirit of the MNT requirements through a Members' Panel and Employers' Panel that were required to be established by section 69 of the Act and NEST's order.

Key scheme events in the year

2012/13 has been a challenging year in which the Trustee's key objectives were to:

- work with volunteer employers and self-employed members to understand the complexities of employer duties and oversee the delivery of the infrastructure and processes to enable NEST to be a compliant scheme that employers could use from the onset of employer duties (OED)
- continue to strengthen the governance infrastructure
- identify using the annual effectiveness review, any areas where we could improve the Trustee's performance.

Looking ahead

This year will see a step change in the scale of membership of the scheme. We will support large employers as they start to use the scheme this year and make the necessary product and service updates to prepare for the increased numbers of employers that will reach their duty date in subsequent years.

2013/14 sees a relatively small number of employers reach their duty dates compared to later staging years. However, due to the size of these employers, the scale, in terms of the number of workers they enrol, will be significant.

Some prominent UK employers have already publicly announced that they are using NEST, underlining the role NEST can play for these types of employer. These include household names such as McDonalds, the BBC, BT and the Compass Group. In 2013/14 we expect further employers to start using NEST for some or all of their eligible workforce.

Organisation structure

The Trustee has 11 members (consisting of a Chair and 10 other Trustee Members) who are responsible for setting the strategic direction and objectives for NEST Corporation.

The appointments of the Chair and the Trustee Members were made by the Secretary of State for Work and Pensions in line with the Commissioner for Public Appointments Code of Practice.

A schedule of delegations gives authority and responsibility to the chief executive for the day-to-day operations and management of NEST Corporation. We completed the annual review of this schedule in July 2012.

Under the NEST's order, article 8, the Employers' Panel and Members' Panel must give any assistance and advice requested by the Trustee about the operation, development or amendment of the scheme. For further information on the panels, see pages (22 and 23).

All our Trustee Members are responsible for their own continuous professional development (CPD) and are assisted in this by a series of briefings on trustee knowledge and understanding including aspects specific to the scheme, such as NEST's order and rules.

The Trustee has established a number of committees, each chaired by a Trustee Member, which focus on key aspects of monitoring and control. These are audit, risk, investment, nominations and governance and remuneration committees. Their remits include:

- seeking assurance on the accuracy of the accounting records and processes
- overseeing the management of risk

- › developing our investment strategy and principles and overseeing its implementation
- › helping to ensure our compliance with regulatory obligations
- › developing the appropriate culture and remuneration practices.

The terms of reference for the Trustee meetings and each of their committees are published on our website at nestpensions.org.uk/terms-of-reference

Trustee Member profiles



Lawrence Churchill, CBE, Chair

Lawrence is chair of the Financial Services Compensation Scheme and a member of the board of BUPA. He is also a trustee of the International Longevity Centre UK and a governor of the Pensions Policy Institute.

Previous appointments have been as chairman of the Pension Protection Fund, a member of the Board for Actuarial Standards, chief executive of Zurich Financial Services UK and International Life, executive chairman of UNUM and CEO of NatWest Life and Investments.

Lawrence has also served in a non-executive capacity on the boards of the Association of British Insurers, the Employers' Forum on Disability and the Financial Ombudsman Service, and has been a trustee of the Royal Society of Arts.



Iraj Amiri, member of the audit and investment committees

Iraj was a partner with Deloitte LLP for over 20 years. He led the National Internal Audit Group of Deloitte and was one of the firm's recognised experts in internal audit and risk management.

In the public sector, his clients included numerous organisations in central government, health, education and local government, and many public bodies, such as the Financial Services Compensation Scheme, The Pensions Regulator, National Savings and Investments and the European Investment Bank. He also has extensive private sector experience at a senior level, serving such organisations as Schroders plc and The Wellcome Trust.

As well as being an FCA, Iraj is a fellow of the Royal Statistical Society, Chair of the Audit and Risk Committee for the Institute and Faculty of Actuaries and was a member of the Internal Audit Task Force of the Institute of Chartered Accountants in England and Wales for a number of years.



Tom Boardman, member of the audit and investment committees

Tom has been involved in the pensions and insurance industry with Prudential and Nationwide for more than 35 years in a wide variety of roles. Before taking up his appointment at NEST Corporation, he was director of retirement strategy and innovation at Prudential UK.

He is a fellow of the Institute of Actuaries, honorary visiting professor at the Cass Business School and a governor of the Pensions Policy Institute. Tom was also a senior advisor at the Financial Services Authority during the 2012/13 year and a trustee of the International Longevity Centre UK until he resigned in June 2012. He became a senior advisor at the newly formed Financial Conduct Authority from 1 April 2013.



Sharon Darcy, member of the investment and risk committees

Sharon is a qualified accountant with a very strong background in the consumer movement.

She is a non-executive director of Consumer Focus and was previously on the board of energywatch, an organisation which both helped consumers deal with problems with their energy suppliers and campaigned on fuel poverty. She is also a non-executive director of the Hyde Group, a large housing association, and a member of the Committee on Standards of the House of Commons.

In the past Sharon was a consumer director of TrustMark, an organisation which promotes reputable traders in the home maintenance and repair sector, a non-executive director of Sutton and Merton Primary Care Trust and the chair of Sutton Borough Citizens Advice Bureau.

After the year end Sharon was appointed as chair of the risk committee and a member of the audit committee.



Laurie Edmans, CBE, member of the remuneration and risk committees

Laurie is deputy chairman of MGM Assurance. This is a long-established mutual that has become a specialist annuity provider.

He is on the council of the Pensions Policy Institute and is a director of Bdifferent, a specialist financial services branding and research agency. He is chairman of the trustees of the Trinity Mirror Pension Plan and a trustee of two charities, the Quest School for Autistic Children and the Family and Parenting Institute where he is treasurer. Laurie is a non-executive director at the Money Advice Service and was until recently the chairman of Safe Homes Income Plans, the trade association for equity release products. Before joining NEST Corporation, Laurie was a non-executive director of The Pensions Regulator, following three years on the board of its predecessor, OPRA.



Paul Hewitt, chair audit committee, member of risk committee and senior independent director

Paul is currently non-executive chairman of a number of companies including RJ Kiln, OB10, Shop Direct Financial Services and The Good Care Group. Paul is also non-executive director of Tesco Bank.

He joined the Co-operative Group in 2003 where initially he was chief financial officer before becoming acting chief executive of Co-operative Bank, CIS and Smile and later, deputy group chief executive.

In his earlier career, after qualifying as a chartered accountant, Paul worked as finance director in a number of private equity-backed and quoted companies.



Chris Hitchen, chair investment committee, member of the nominations and governance committees

Chris is the chief executive of the Railways Pension Trustee Company and its operating company RPMI Ltd, which runs the industry-wide pension arrangement for the UK's railways. This covers 350,000 people and around 100 employer groups.

The scheme has assets of £17 billion and Chris also chairs the group's FCA-authorized investment subsidiary Railpen Investments. Before joining the rail scheme as chief investment officer in 1998, he worked for 12 years as an investment consultant and actuary to a number of UK pension plans.

Chris is the immediate past chairman of the National Association of Pension Funds (NAPF) and chairman of the Pensions Quality Mark, an initiative to give recognition to good defined contribution pension provision. Chris is a past chairman of both the NAPF Investment Council and the Institutional Shareholders Committee.

After the year end Chris stood down as chair of the investment committee but remains a member.



Julius Pursaill, Chair risk committee, member of the audit and investment committees

Julius retired from full-time employment in 2001 and has since acted as a non-executive director and consultant for a number of technology-based companies. These have predominantly been in the financial services sector including Barrie & Hibbert and Capita. Julius also sits as an independent member on both the Heineken pension scheme advisory board, Royal London with Profits Committee and the Scottish Life investment advisory committee. Julius is vice chair of governors at MidKent College.

Julius spent his early career in the retail financial services industry in sales management and designing financial services products.

In 1994 Julius joined the investment management company Mercury Asset Management and was appointed to head its defined contribution pensions business.

In 1998 he was appointed head of e-Business for the Europe, Middle East and Africa global region at Merrill Lynch Investment Management.

After the year end Julius stood down as chair of the risk committee and as a member of the audit committee. He remains a member of the risk committee. Also after the year end Julius was appointed as chair of the investment committee.



Enid Rowlands, member of the remuneration, nomination and governance committees

Enid Rowlands has a background in change management, organisational transition and development. A psychologist by qualification, she has chaired public sector bodies with budgets in excess of £1.2 billion and is a companion of the Chartered Management Institute.

In recent years Enid has specialised in governance in public and not-for-profit sectors. She is currently a board member and chair of HR/Remuneration of the General Medical Council, the Information Commissioner's Office and the Solicitors Regulation Authority. Enid was previously a board member of Customer Focus.

She has served with a range of organisations and Ministerial Advisory Groups concerned with marginalised and disadvantaged groups in the workforce, including women returning to work and people with sensory impairment. She is also chair for Victim Support.



Sue Slipman, chair remuneration committee, member of the nomination and governance committee

Sue has been the chief executive of the Foundation Trust Network which she ran from 2004 to 2012. She is currently a non-executive director at Kings College Hospital Foundation Trust. She was previously chair of the Financial Ombudsman Service and was also executive director with Camelot Group where she was responsible for social responsibility and external affairs.

Sue's previous roles include chief executive of the Gas Consumers' Council, the London Councils' Transport and Environment Committee and the National Council for One Parent Families.

She has also held a number of public appointments. These include chair of the Department for Trade and Industry's working group on corporate social responsibility, and chair of the National Consumer Council's Policy Commission on Public Services.

She has also chaired the Financial Services Authority's schools working group on financial capability and was a non-executive director of Thames Water until 2008.



Nigel Stanley, member of the investment and remuneration committees

Nigel has been head of campaigns and communications at the TUC since May 1997, where he has led much of the TUC's work on pensions reform following the report of the Pensions Commission.

He joined the TUC as its first ever parliamentary officer in 1994. From 1992 to 1994 he freelanced in public affairs, research and journalism where his client list included the Shopping Hours Reform Council, the European Commission, the Labour Party and a number of MPs.

Nigel also worked at the House of Commons from 1983 to 1992, first for Robin Cook and then for Bryan Gould on research, press relations and campaign management.

The table below sets out the membership of NEST Corporation committees and provides details of meetings attended by Trustee Members during the year:

	Trustee Member meetings	Audit committee	Investment committee	Nominations and governance committee	Remuneration committee	Risk committee
Number of meetings	13	6	5	3	6	7
Lawrence Churchill	13	-	-	3	-	-
Iraj Amiri	12	6	5	-	-	-
Tom Boardman	13	6	5	-	-	-
Sharon Darcy	13	-	5	-	-	6
Laurie Edmans	12	-	-	-	4	6
Paul Hewitt	12	6	-	-	-	7
Chris Hitchen	12	-	5	3	-	-
Julius Pursaill	12	6	5	-	-	7
Enid Rolands	12	-	-	2	5	-
Sue Slipman	13	-	-	2	6	-
Nigel Stanley	13	-	4	-	6	-

The Pensions Regulator's six principles for good workplace defined contribution schemes

In December 2011, The Pensions Regulator (TPR) published six high-level principles as part of its ongoing engagement with the pensions sector to improve standards of defined contributions (DC) provision and ensure that the pensions sector is ready to support automatic enrolment.

The six principles span the lifecycle of a DC scheme from the design and set-up phases through to the ongoing management. TPR published a consultation document on regulating work-based defined contribution pension schemes in January 2013 which proposed a new code of practice and regulatory approach. This developed further the core components of a new regulatory framework to help it ensure that work-based DC pension schemes (including those used for automatic enrolment) are good quality. NEST Corporation's response to this consultation can be viewed at nestpension.org.uk/regulating-work-based-defined-contribution and is broadly supportive of the proposed approach.

The table below provides an overview of NEST's compliance with the principles.

Principle	TPR: Six Principles for DC	NEST's summary response
1	<p>Schemes are designed to be durable, fair and deliver good outcomes for members.</p> <p>This principle covers the features necessary in a scheme to deliver good outcomes for members, including features such as the provision of a suitable default fund, transparent costs and charges, protected assets and sufficient protection for members against loss of their savings.</p>	<p>The NEST scheme has been designed based on unprecedented research into the types of savers who will be brought into pensions by automatic enrolment. NEST scheme's Retirement Date Funds have been specifically created to manage investment risks throughout a member's time saving with NEST in a sophisticated and tailored way.</p> <p>Details of our current charges are explained in a clear and straightforward way to our members and their employers. Examples are online. Charges to the member are currently the same whichever fund they select. The NEST scheme is transparent about the way it operates and what it does with members' money. We also make available on our public website the research that has led to the design of the investment approach, including the Member Research Brief. In June 2012, the Trustee determined that it will make no deductions from member accounts for so-called consultancy charging.</p>
2	<p>A comprehensive scheme governance framework is established at set-up, with clear accountabilities and responsibilities agreed and made transparent.</p> <p>This includes identifying key activities which need to be carried out, and ensuring each of the activities has an 'owner' who has the necessary resources to carry out the activity.</p>	<p>NEST Corporation's dual status as Trustee and Public Corporation, combines best practice and guidance from pensions and the corporate governance world. Please see page 17 for more detail.</p>

Principle	TPR: Six Principles for DC	NEST's summary response
3	<p>Those who are accountable for scheme decisions and activity understand their duties and are fit and proper to carry them out.</p> <p>This principle ensures that those who are given accountability or responsibility for a key governance task are able to carry this out. The principle will cover definitions of fitness and propriety for accountable parties and also conflicts of interest that may arise.</p>	<p>NEST Corporation's governance structure provides clear lines of accountability and decision making. This includes a scheme of reserved powers and delegated authorities.</p> <p>All Trustee Members are appointed on merit for their knowledge, expertise and diversity. They undertake and report continuous professional development (CPD) activity, and maintain a register of interests.</p> <p>At every meeting Trustee Members must disclose any conflicts of interest pertinent to that meeting's agenda.</p> <p>NEST's Corporate Governance Statement is available online at nestpensions.org.uk/corporate-governance-statement</p>
4	<p>Schemes benefit from effective governance and monitoring through their full lifecycle.</p> <p>This principle looks at the ongoing governance and running of the scheme, including the internal controls and monitoring needed to ensure that the scheme continues to meet its objectives, and continues to be run with the best interests of its membership in mind.</p>	<p>Although the scheme was only launched in 2011, the Trustee has given consideration to longer-term strategy, the identification of critical success factors and the investment risks from joining through to members making decisions about converting their pension pot into a retirement income.</p> <p>The Trustee receives and scrutinises management information about the scheme regularly, develops its objectives and monitors performance against these. It also sets strategy and considers risk issues at a scheme level.</p> <p>The Trustee undertakes an annual review of its effectiveness as a body and that of the committees. The Chair leads on the annual appraisals for each Trustee Member. The members of the nominations and governance committee lead on the annual appraisal of the Chair.</p>
5	<p>Schemes are well-administered with timely, accurate and comprehensive processes and records.</p> <p>This principle is informed by TPR's previous work on record keeping, looking specifically at the administration processes required in a DC scheme.</p>	<p>NEST's scheme administration is delivered by Tata Consultancy Services (TCS), part of the Tata Group and a top-10 global IT services, business solutions and outsourcing company.</p> <p>Operational performance is monitored by the executive team and reported regularly to the Trustee Members.</p> <p>The scheme assets are administered by a fund administrator, State Street Bank, and reconciled on every trading day.</p>
6	<p>Communication to members is designed and delivered to ensure members are able to make informed decisions about their retirement savings.</p> <p>This includes all communications to members during their time with the scheme – from joining through to making decisions about converting their pension pot into a retirement income, including promotion of the open market option.</p>	<p>The NEST scheme gives members a clear member journey online from joining to taking their money out. See the NEST for savers section of the website at nestpensions.org.uk/NESTforsavers. The NEST scheme also has a UK based contact centre operated by TCS where all staff receive thorough training on supporting scheme members and employers.</p> <p>Our commitment to communicating to members in a way they understand is at the centre of our communications development. NEST Corporation has developed <i>The NEST phrasebook</i> which sets out how we talk to employers, members and future members about pensions, using words and phrases that have been designed with them in mind. NEST Corporation continues to undertake research to get a better understanding of the best ways to communicate technical issues such as investment risk to members in a meaningful way.</p>

TPR believes that if schemes follow these principles in their design, set-up and ongoing operations it will help them to deliver the six elements necessary for members to receive good outcomes, which TPR has previously identified:

- › appropriate decisions with regards to pension contributions
- › appropriate investment decisions
- › efficient and effective administration of DC schemes
- › protection of scheme assets
- › value for money
- › appropriate decisions on converting pension savings into a retirement income.

Risk management

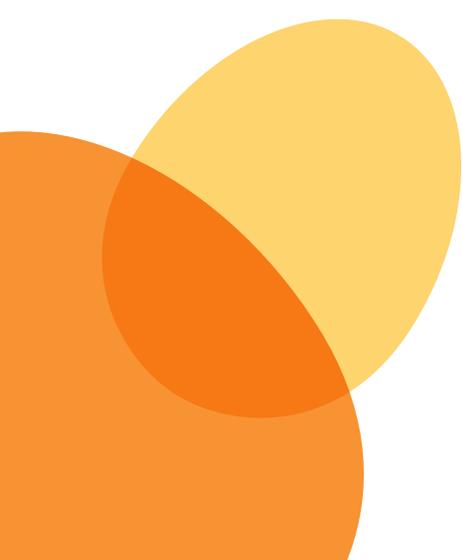
The Trustee is responsible for ensuring that there is a continuous process for identifying, evaluating and managing any material risks faced by the organisation and for ensuring that risk is effectively managed. In order to assist it in carrying out its responsibilities, the Trustee has established a risk committee in line with best practice corporate governance. The report from the risk committee is on page 21.

Risk appetite

Risk appetite is the level of risk that NEST Corporation is prepared to accept in the course of pursuing its strategic objectives. NEST's risk appetite is dynamic and evolves alongside the Corporation's development. Our appetite for risk encompasses both qualitative and quantitative factors which combine to represent a level of risk-taking that we think provides an acceptable balance between risk and reward.

Risk exposure is the level of risk that we face. We compare our current risk exposure against our appetite to ensure we are comfortable with our risk profile. Where the risk profile and appetite are inconsistent, we consider whether mitigating actions could address the imbalance. Exposure to risk is considered both on an individual risk basis and as an aggregation of risk across strategic objectives.

As an organisation we recognise that we do not want to nor can we avoid or eliminate risk altogether. Instead our risk management framework puts us in a position where we are aware of and understand the risks that affect us. This helps us make informed decisions about how we manage these risks.



Governance

Trustee Members adopted a governance framework, which continues to be refined to ensure it remains appropriate for the scheme. Fundamental to the scheme's governance is the work undertaken by the five committees established by the Trustee Members. Full reports on committee decisions and actions are reported to the Trustee Members' meetings. The work of each of these committees is presented below.

The Trustee has delegated the day-to-day operations of running the scheme to the CEO of NEST Corporation, who manages the contracts with TCS and the scheme's advisers (shown on page 6).

Trustee Members held 13 meetings during 2012/13. These meetings have focused on:

- › the strategic direction of NEST and its programme of work
- › key investment strategies and achieved performance
- › the financial arrangements for NEST Corporation
- › ensuring appropriate governance
- › providing support, challenge and guidance to the executive team
- › actively reviewing scheme operations
- › overseeing the management of risk
- › responding to consultations which impact NEST scheme and its members.

A summary of the Trustee Member meetings is available at nestpensions.org.uk/trustee-meetings

As Trustee of the scheme, NEST Corporation has a legal duty to act in the interests of the scheme members and other beneficiaries and to comply with all legal and regulatory requirements relating to pension schemes. The Trustee Members of NEST Corporation are responsible for the strategic direction of NEST Corporation and the scheme. Trustee Members also have regard to NEST Corporation's duties as an NDPB. For further information on the governance framework and Trustee Members' attendance at meetings see the Trustee Members' report on page 13 and on the following page.

Strategy and plan

Over the course of the year Trustee Members have considered strategic issues at each of their regular Trustee meetings and have also held three specific workshops to initiate discussions on the long-term strategic challenges.

The November strategy workshop that Trustee Members held was also attended by the Employers' and Members' panels.

The Trustee Members approved the *Corporate Plan for 2013-2016* incorporating the business plan for 2013/14. This is published on our website at nestpensions.org.uk/corporate-plan-2013-2016. In the spring of 2013, Trustee Members agreed the budget for 2013/14 and this is set out in the business plan for 2013/14.

Audit committee

The audit committee's role is to provide oversight, review and advisory guidance to the Trustee Members on all audit and control issues across NEST Corporation. Key areas of focus for the committee during 2012/13 included:

- review of the 2011/12 annual report and accounts for both the NEST Corporation and the NEST pension scheme
- review of the external auditors' strategies for their audits of the 2012/13 accounts
- approval of the internal audit plan for 2013/14 and oversight of the delivery of the 2012/13 plan
- approval of the 2013/14 compliance plan and oversight of the delivery of the 2012/13 plan
- review of the assurance framework
- review of the committee's effectiveness in March 2013.

In view of the challenges posed by the onset of employer duties and the subsequent scaling up of the scheme, the committee has paid particular attention to the controls and assurance that NEST Corporation has over the operation of the scheme administration contract.

Paul Hewitt
Chair, audit committee

Report of the investment committee

The Trustee approves the NEST *Statement of investment principles (SIP)*. The role, responsibilities and delegations of the investment committee and the chief investment officer appear within the governance structure detailed in Appendix A of the *SIP*, which is available at nestpensions.org.uk/statement-of-investment-principles

The investment committee, together with the chief investment officer, share a set of responsibilities and delegations to consider and implement investment decisions on behalf of the Trustee and the committee reports to the Trustee.

The key decisions and activities of the investment committee in the past year included:

- oversight of the investment and risk management of all NEST retirement date funds including approving asset allocation changes as required
- approval of a dynamic risk management framework
- approval of the responsible investment policies
- ongoing consideration of the development of the NEST investment approach.

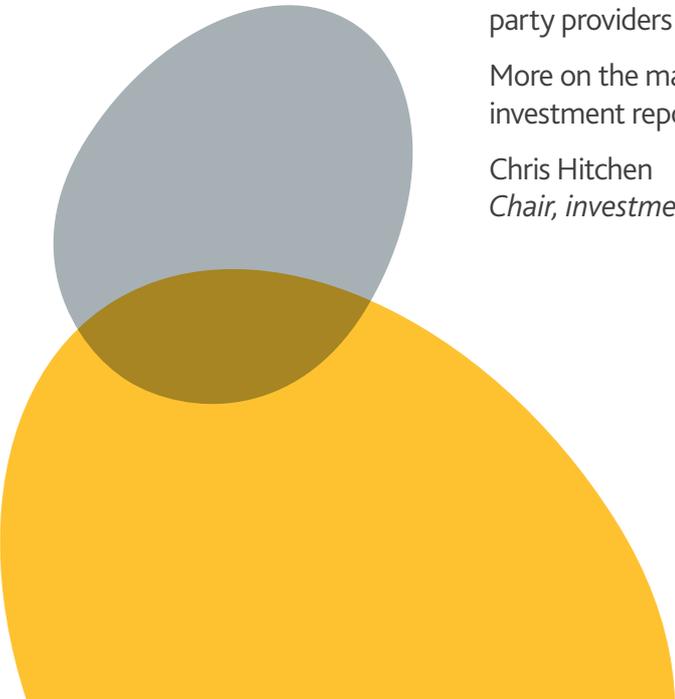
The day-to-day management of NEST scheme's assets is performed by professional fund managers, each of whom is authorised and regulated by the Financial Conduct Authority.

The investment committee has overall responsibility for approving fund manager selection and ongoing monitoring and removal, and has appointed the fund managers listed on page 6.

The investment committee is the recipient of regular reporting to enable it to review and monitor NEST scheme's assets, fund managers and other third-party providers and investment costs.

More on the management of NEST's investment assets is included in the investment report on pages 29 to 42.

Chris Hitchen
Chair, investment committee



Nominations and governance committee

This committee aims to help deliver a well-run and controlled organisation, ensuring that it is adequate, appropriate and operating effectively. It is responsible for preparing nominations for membership of the Members' and Employers' Panels and for the development and oversight of the governance structure. In the past year, the nominations and governance committee:

- approved the questionnaires and process for carrying out the effectiveness review of the Trustee and its committees
- approved the process for performance appraisals for Trustee Members led by the Chair and for the Chair led by members of the nominations and governance committee
- agreed the content of the consultation proposing changes to the NEST scheme rules
- reviewed the draft internal audit report on corporate governance and approved the responses and timescales to meet the auditors' recommendations
- undertook the recruitment of the members for the Members' and Employers' Panels and recommended candidates to the Trustee.

Lawrence Churchill

Chair, nominations and governance committee

Remuneration committee

The remuneration committee has provided oversight, review and advice to the Trustee on the approach to corporate responsibility, organisational culture and remuneration of senior executives and staff. The committee is not responsible for reviewing the remuneration of the Trustee Members, which is determined by the Secretary of State in accordance with Schedule 1 to the Pensions Act 2008.

During the year the committee has focused its work on helping NEST Corporation move from a 'start up' project to a sustainable organisation for the longer term. The committee has:

- considered the results of the 2012 staff survey and advised on the draft staff survey for 2013, leading to work on strengthening the performance management culture and defining career paths within NEST Corporation
- monitored the progress of work to develop equality and diversity policies
- reviewed the organisation's policy on volunteering

-
- › agreed pay and reward principles for 2012/13 onwards
 - › approved a job architecture for NEST Corporation staff
 - › recommended the adoption of a corporate responsibility standard drawing on indicators within the Global Reporting Initiative's Sustainability Reporting Guidelines to the Trustee
 - › considered NEST's responsible investment programme
 - › overseen a programme of cultural change, including the introduction of a competency framework and additional training for managers
 - › approved a revised gifts and hospitality policy.

Sue Slipman

Chair, remuneration committee

Risk committee

The risk committee is responsible for oversight of the risk management framework and for recommending the Statement of risk appetite to the Trustee. The committee has :

- › provided a review of all aspects of risk management
- › overseen further development of strategic risks, including their integration into the risk management framework for regular review and reporting
- › provided challenge to the executive through a series of deep dives into specific areas of operational and strategic risk
- › approved the appointment of Dan Davis CIRM, as director of risk
- › overseen and driven continuous improvement of the risk management framework to improve the risk culture of the corporation.

Further information on risk is provided in the NEST Corporation's annual report and accounts.

Julius Pursail

Chair, risk committee

Employers' Panel and Members' Panel

The Employers' Panel and Members' Panel were established in the summer of 2011 in line with requirements under the Pensions Act 2008 and NEST's order and rules.

Employers' Panel

Paul Jagger, MBE was appointed as chair of the Employers' Panel. There are currently eight panel members.

The Employers' Panel provides an advisory role to NEST Corporation on the operation, development or amendment of the scheme from a participating employer perspective (section 69, Pensions Act 2008 and article 8 of the NEST order). The panel is consulted whenever the *Statement of investment principles* is revised by the Trustee. In addition, the panel is consulted on proposed changes to NEST's order and rules. The Employers' Panel engages with the Trustee through the chair of the panel.

The Employers' Panel met six times during the financial year. The panel has been informed about various issues including opting out and keeping records, messaging to employers, on-boarding and research results carried out by NEST within the employer and IFA communities. The Employers' Panel has been consulted during the year about changes to NEST's order and rules, maintaining contributions and late payments, as well as the *Statement of investment principles* published in 2013. The Employers' Panel has provided feedback and input on a number of areas in relation to the development of the scheme from an employer's perspective, including on the call for evidence on lifting the restrictions on the NEST scheme.

Further information on the Employers' Panel, including details of the members is at nestpensions.org.uk/employer-panel

Members' Panel

Museji Ahmed Takolia, CBE was appointed as chair of the Members' Panel when it was established with five panel members. Details of current panel members are at nestpensions.org.uk/member-panel

The Member Panel provides advice to NEST Corporation on the operation, development or amendment of the scheme from a scheme member's perspective (section 69, Pensions Act 2008 and article 8 of the NEST order). The panel met five times during the financial year and was consulted on the Statement of Investment Principles, proposed changes to NEST's order and rules, charges, opt-out process, communications, complaints monitoring, customer services and researching members' needs. The Members' Panel engages with the Trustee through the chair of the panel.

The Members' Panel submits a separate report to the Secretary of State for Work and Pensions. A copy of the report is available on NEST's website, along with further details of the panel at nestpensions.org.uk/nest-member-panel-annual-report-2012-2013

Executive team

The day-to-day management of NEST Corporation is the responsibility of Tim Jones, chief executive (CE), who is supported by the executive team. He is also the accounting officer for NEST Corporation.

- The CE receives his powers through a schedule of delegations from the Trustee Members. In turn the CE delegates authority to and holds each member of the executive team accountable for delivery of their specific objectives. In addition there are executive advisory committees which are used to explore issues and consult with colleagues.
- The scheme steering group, which includes Tata Consultancy Services (TCS), is the senior forum for discussing programme and operational issues. Lower level scheme-related issues are discussed either in the customer services governance group, if they relate to operating the scheme, or in the programme delivery governance group, if they relate to the setting up of the scheme. Both these groups include TCS representatives.
- Alongside the scheme steering group are the information security committee, the product management group and (when necessary) the procurement committee. These groups focus, respectively, on information security issues, the nature of the NEST service offering and procurement exercises.

The weekly executive team meetings are used by the CE to communicate key issues and provide an escalation route for matters that benefit from discussion between all executives.

NEST Corporation: executive team	Position
Tim Jones	Chief executive
Dan Davis	Director of risk
Helen Dean	Managing director, product and operations
Mark Fawcett	Chief investment officer
Paul Greening	Finance director
Debbie Gupta	Managing director, corporate services
Will Sandbrook	Director of strategy
Nick Sex	Director of programmes
Fiona Smith	General counsel
John Taylor	Managing director, customer and proposition

Appointment of professional advisers and others retained by the Trustee

The scheme uses a wide range of professional advisers to provide advice and support its activities. As part of the scheme design and implementation NEST appointed the following partners and advisers to help support the scheme and to perform specific tasks.

TCS was appointed in March 2010 as the scheme's administrator. TCS is responsible for the day-to-day administration of the scheme. This includes receiving and processing contributions and allocations to members' retirement pots. TCS is also responsible for dealing with members. NEST uses HSBC Plc as bankers for members' funds.

State Street Bank and Trust Company was appointed in October 2010 as the fund administrator to ensure that our members' money is managed in line with our investment strategy. This will include maintaining the asset allocation of the funds, deal placement and trade settlement, calculating the net asset value and unit prices of the funds, daily reconciliations, and reporting to the scheme administrator.

The initial five investment managers, as listed on page 6, were appointed between February and April 2011 to invest members' funds into a range of underlying asset classes. Royal London Asset Management was appointed in April 2012. After the year end Legal and General Investment Management was appointed on 28 June 2013. As explained in the investment report on pages 29 to 42 the individual managers have been appointed to invest in specific asset classes and investment markets.

Lawyers DLA Piper, Field Fisher Waterhouse and Squires Sanders were appointed in July 2011, March 2011 and January 2011, respectively, as the scheme's legal advisers. They provide support to the in-house general counsel of NEST Corporation in considering all legal aspects of the scheme and the impact of changes in legislation.

KPMG LLP was appointed in June 2011 as external auditors. They are responsible for providing assurance that the annual report and accounts have been properly prepared and that the financial statements are a true and fair reflection of the transactions in the year and the net assets as at 31 March 2013.



Financial highlights

The financial movements in the year are summarised below and provided in detail in the financial statements and notes to the financial statements on pages 44 to 52. The financial statements have been prepared and audited in accordance with section 41 (1) and (6) of the Pensions Act 1995.

	£
Assets at 1 April 2012	480,775
Income – contributions and other income receivable	5,318,946
Expenditure – benefits paid out on behalf of members and beneficiaries	(1,574)
Charges payable to NEST Corporation	(64,168)
Change in value of members' retirement pots	274,530
Assets as at 31 March 2013	6,008,509

Membership

The membership in the year was:

	Members
Members as at 1 April 2012	849
New members enrolled ¹	86,425
<u>less</u>	
Members opting out	(5,426)
Members de-enrolled	(589)
New members joining in the period	80,410
<u>less</u>	
Members retired	(2)
Members deceased	(2)
Members as at 31 March 2013	81,255
Types of members as at 31 March 2013	
Members enrolled by participating employers	81,120
Members who are self-employed	135
	<u>81,255</u>

¹ These are new members enrolled by employers and self employed registrations for the reporting period.

Contributions and charges

Employers can choose their rate of contributions and that for their employees. The contribution rates chosen must meet the minimum limits set by the scheme. Employers also set their payment frequency for making contributions within statutory limits and their payment due date for each payment period. Once set, all employers must make payments each period by this due date. If the scheme is not in receipt of both a contribution schedule and a payment which matches this schedule by the due date, NEST will investigate the status of the payment with the employer.

The Trustee must report to TPR and members within a reasonable period after the due date if:

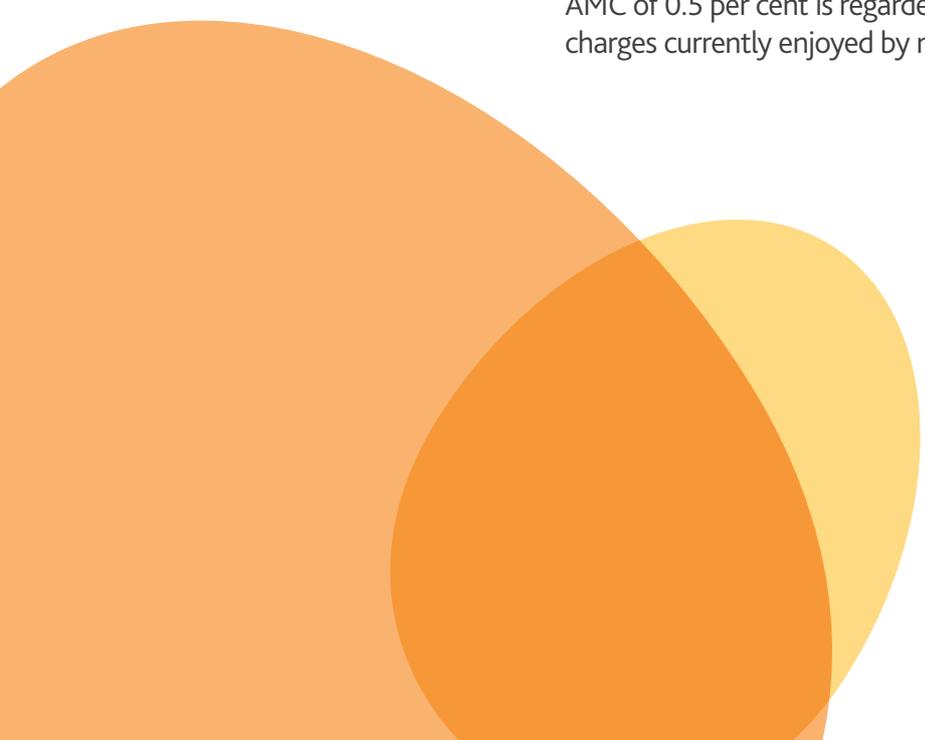
- member contributions and/or employer contributions are not paid on time and
- the Trustee has reasonable cause to believe that the late payment of contributions is material.

There were no breaches that were considered material in the year and, therefore, we have not made any reports to TPR.

The value of payments which remain outstanding from the scheme year end at 31 May 2013 is £35,525.

NEST levies a 0.3 per cent annual management charge (AMC) on members' total funds under management, plus a charge on contributions of 1.8 per cent.

For many contribution profiles of NEST members, our charges work out as broadly equivalent to a 0.5 per cent AMC across their time saving with us. An AMC of 0.5 per cent is regarded as a good benchmark for the kind of low charges currently enjoyed by members of large workplace schemes.



Taking money out of NEST

There were two retirements during the year.

NEST supports members at retirement with tailored information and simple processes. When a member gets close to their NEST retirement age, we give them personalised information on their full range of options for taking money out of NEST. This includes a retirement income with or without a pension commencement lump sum, taking their whole pot as a cash trivial commutation and transferring to another registered pension scheme.

If members choose to get an income through NEST's Retirement Panel we give them quotes from our panel providers based on their choice of features and their answers to a health questionnaire, if they complete one. We also make it easy for members to shop around for a retirement income - the open market option - if they prefer to choose from a wider range of products available from other providers. They can also choose to take their whole pot as cash if they are eligible to do so. As NEST has only been operating since July 2010, most members' retirement pots are still small and the transfer out and cash options are usually the only options available at this point in time.

Once the member has taken money out of their retirement pot in any of these ways, they leave NEST and the scheme has no further responsibility to them in respect of that retirement pot.

Transfers

NEST's order and rules provide limited scope for NEST to accept transfers in or pay transfers out.

There were five transfer-ins during the reporting period. One transfer-in was in respect of a pension sharing order and the remaining four were cash transfer sums, all of which are allowed under NEST's order and rules.

Deaths

Members of the scheme can nominate whom they would like to receive their retirement pot should they die before taking their money out of NEST.

This could be their partner or family member, a charity, or a combination of people and organisations. Nominations are legally binding and the scheme will pay the pot to whomever the member has nominated should the member die.

Other than providing the retirement pot, NEST does not provide members with death in service benefits.

There were two deaths during the reporting period.

Statement of Trustee's responsibilities

The Trustee is responsible for the audited financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP). The Trustee, in line with pension scheme regulations, needs to make audited accounts for each scheme year available to scheme members, beneficiaries and certain other parties, which:

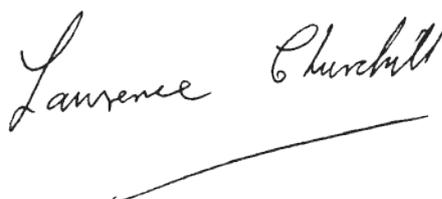
- show a true and fair view of the financial transactions of the scheme during the scheme year and of the amount and disposition at the end of the scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year
- contain the information specified in the schedule to 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 making available each year, commonly in the form of a Trustee's annual report, information about the scheme prescribed by pensions legislation, which they should ensure is consistent with the financial statements it accompanies.

The Trustee has a general responsibility for:

- ensuring that adequate accounting records are kept
- taking such steps as are reasonably open to them to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

The Trustee report in respect of the NEST pension scheme was signed on behalf of NEST Corporation by:

A handwritten signature in black ink that reads "Lawrence Churchill". The signature is written in a cursive style and is positioned above a horizontal line.

Lawrence Churchill CBE
Chair
NEST Corporation

5 July 2013

04 Investment report

Statement of investment principles

The investment objectives for the scheme are set out in its *Statement of investment principles (SIP)* which the Trustee Members are required to prepare under section 35 of the Pensions Act 1995.

The *SIP* includes NEST's investment beliefs. These are a set of guiding principles established by the Trustee to provide an objective and transparent framework for consistent decision-making and to support all investment functions. These principles include well-evidenced concepts such as:

- › diversification is the key tool for managing risk and return
- › risk-derived asset allocation is the biggest determinant of long-term performance
- › analysis of both economic conditions and market regimes should be used to drive strategic decisions.

Allowing our members and stakeholders to see why investment decisions are made and how we operate helps build trust and increases the chances of the Trustee making good investment decisions consistently.

NEST's *SIP* is available to download from nestpensions.org.uk/statement-of-investment-principles. During the year and at year end all investments were in accordance with the *SIP*.

NEST funds

Based on our understanding of the diverse needs of our target group, we have aimed to develop an approach to investment that offers:

- › a well-constructed default strategy – the NEST Retirement Date Funds – with clear return objectives and a carefully-managed risk profile
- › a selection of clearly labelled fund choices for those who want a different level of risk, or an approach that matches their beliefs or faith.

NEST Retirement Date Funds

When they join NEST, members' retirement pots are invested into the NEST Retirement Date Fund that matches either their State Pension age or age 65, depending on when they were born. They can change their NEST retirement age at any time and their retirement pot will be switched automatically into the matching NEST Retirement Date Fund.

The over-arching investment objective for the NEST Retirement Date Fund is to target investment returns in excess of inflation after all charges over the long term. This keeps both NEST and our members focused on actual outcomes, not stand-alone investment return figures that do not take account of the impact of charges and inflation.

Currently well over 90 per cent of our members invest in our NEST Retirement Date Funds, either through choice or as the result of not making a fund choice.

Alternative fund options

› NEST Ethical Fund

This fund is designed for members who wish to see their beliefs reflected in their portfolio. Unlike many other ethical funds available our NEST Ethical Fund choice is life-styled in a similar way to the NEST Retirement Date Funds.

› NEST Sharia Fund

A fund with an investment approach based on Islamic law.

› NEST Higher Risk Fund

This fund is for members who want to take more investment risk to try and make their retirement pot grow more quickly than in a NEST Retirement Date Fund. As members approach their retirement date we will move their pot into the appropriate NEST Retirement Date Fund. This will protect any gains they have made and get their retirement pot ready for them to take out of NEST.

› NEST Lower Growth Fund

This fund is designed for members who are very cautious about investing so their retirement pot will be exposed to far less investment risk than a NEST Retirement Date Fund. In the long term, however, it will probably grow less than other fund choices and may not keep pace with inflation.

› NEST Pre-retirement Fund

This fund is suitable for members who start saving with NEST in the next five years, are near their retirement date and intend to combine their NEST retirement pot with other retirement pots to buy a retirement income and take a pension commencement lump sum.

Investment managers

All our funds are constructed from building block mandates supplied by leading fund managers. Our current list of mandates and their managers are:

- › passive global developed equities - UBS Global Asset Management
- › passive UK gilts - State Street Global Advisors
- › passive UK index- linked gilts - State Street Global Advisors
- › sterling liquidity (money market investments) – BlackRock
- › diversified beta - BlackRock.
- › sterling corporate bonds – Royal London Asset Management
- › global ethical developed equities - F&C Investments
- › sharia-compliant global developed equities - HSBC Global Asset Management.

On 28 June 2013 we also procured a UK direct real estate fund and a global listed real estate fund in order to improve the level of diversification for NEST members. These funds are both delivered by Legal & General Investment Management Limited.

Approach to investment risk management

NEST Corporation views investment risk management as a strategic function. We will have a large and diverse membership and we shall manage their investment risks throughout their time saving in NEST in a holistic way. This has led us to three main design characteristics:

- › We employ up to three phases of risk management as members build up their pots to recognise that members' needs are different at different ages. These are the Foundation, Growth and Consolidation phases.
- › We manage risk through diversification, investing money wherever possible across a wide variety of assets to spread the risk and smooth the returns. This helps us navigate many different economic and market environments.
- › We set and operate within a risk budget. Therefore we seek to take the appropriate risk at the appropriate time in order to achieve the long-term objectives efficiently.

Intrinsically linked with our risk management procedures is our process for both understanding the market and economic regimes under which we operate and setting appropriate strategic asset allocations.

The strategic asset allocations for the NEST Retirement Date Funds, the NEST Higher Risk Fund and the NEST Ethical Fund are set using widely used modelling techniques and well-researched inputs and assumptions from our investment advisers.

We also focus on identifying the best options for delivering against strategic and long-term goals over achieving short-term results. NEST's investment horizons are aligned with our members and so are necessarily long-term.

NEST uses an industry standard risk system provided by MSCI Barra International along with an in-house modelling platform. This allows us to constantly monitor and manage investment risks so we can look to achieve better outcomes for our members without taking undue risk.

The underlying data we consider provides a long-term perspective and recognises current market conditions. This supports NEST's investment team in making dynamic adjustments to portfolios.

Of the many risks NEST takes into account, capital protection risk, inflation risk and conversion risk are our key focus. NEST's investment team dynamically manages these investment risks throughout members' saving lifetime.

Default investment strategy

Each NEST Retirement Date Fund pools the retirement pots of all the members who plan to take their money out of NEST in the same year. This allows us to efficiently address the common interests of large numbers of savers while still providing a tailored approach for individuals.

We are able to adjust the portfolio of each fund to match our members' place in the saving lifecycle and take account of changing economic and market conditions along the way. This gives our savers a much smoother ride than funds based on a single asset class or those that rely on a mechanical lifestyling approach that adjusts allocations automatically according to a fixed schedule.

The youngest members who put their money in our NEST Retirement Date Funds will go through three phases. Each phase has a different objective that focuses on the needs of the member at specific times in their savings career.

Many members will only experience one or two phases, and many members will only contribute for short periods of time. However we have a glide path that sets out the levels of investment risk we expect to expose members to at each stage of the lifecycle, regardless of how long for or how often a member contributes. These are designed to balance the member's need to keep their money growing to at least outperform inflation and their desire to avoid unpredictable returns.

The glide path is defined by the risk budgets we allow for each phase. We have defined these through portfolio volatility levels for the Growth and Foundation phases, and as tracking error to annuities for the Consolidation phase. Broadly speaking we have set risk budgets in terms of taking sufficient but not excessive risk. However, the way NEST Retirement Date Funds are structured allows us to vary the amount and type of risk taken according to economic and market conditions.

Moving between phases

Our lifecycle is not a rigid 'set and forget' regime. We dynamically manage the transition between phases to take account of our view of the financial markets, the economic environment and our latest understanding of our members. This helps us judge the best time to begin reducing or increasing the investment risk.

In this way we can take advantage of the good times on our members' behalf while giving them extra protection from the bad times.

Growth phase

The Growth phase is the engine of the NEST Retirement Date Funds' approach where we concentrate on growing the pot quickly. Members could spend up to 30 years in this phase. We've set ourselves a benchmark of 3 per cent above CPI after all charges so that we - and our members - can judge if we're delivering performance against targets. In practice, though, we'll be striving to get the best performance we can from the investment risk we take on our members' behalf.

Growth phase objectives

- › target investment returns at least equivalent to CPI plus 3 per cent a year over the long-term and cover all scheme charges
- › target a long-term volatility average of 10-12 per cent
- › maximise diversification
- › aim for steady growth in real terms over the life of the fund
- › maximise retirement incomes by taking sufficient investment risk at appropriate times while reducing the likelihood of extreme investment shocks.

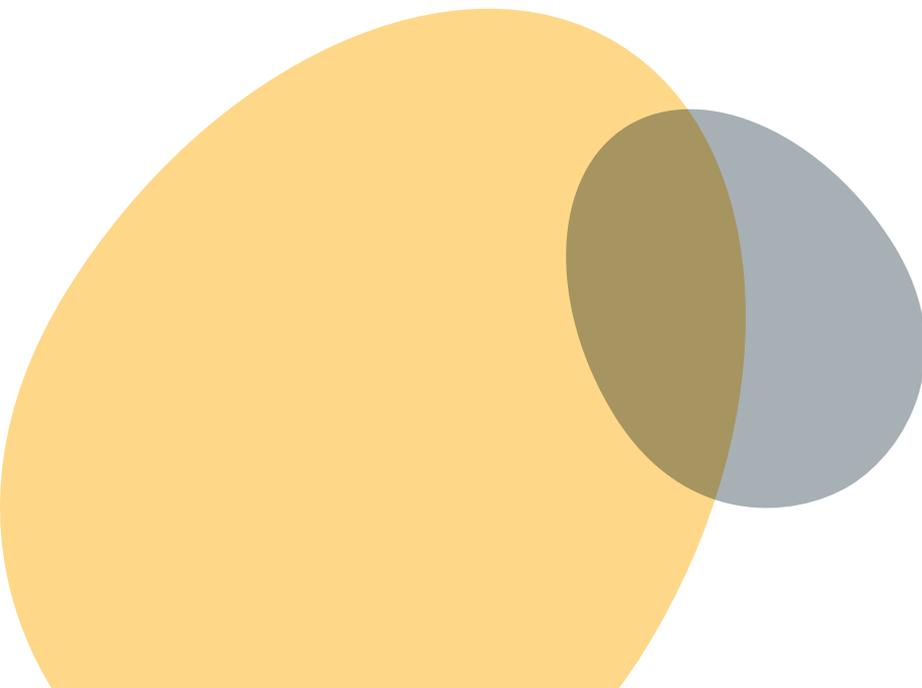
Consolidation phase

Consolidation phase objectives

- › gradually move the portfolio from the return-seeking assets held in the Growth phase to annuity-tracking assets and cash-like investments
- › gradually reduce volatility and manage the tracking error to annuity prices
- › continue to grow the portfolio in real terms where this does not clash with the above goals
- › further reduce the likelihood of investment shocks.

The Consolidation phase is when we move to lock-in any gains that members have made and mitigate the risks that come from converting investment assets into a retirement income and a pension commencement lump sum. Starting around 10 years before retirement we gradually move member pots into assets that broadly reflect the way we expect them to take their money out of NEST. In the early years of the scheme, we expect that most members who enrolled late in their careers will take their relatively small pots as cash. In the long-term, though, our members are likely to take 25 per cent of their pots as a pension commencement lump sum and use the rest to buy a retirement income.

We still expect to grow members' money by more than inflation but in this phase our primary focus is to secure the member's retirement income.



Foundation phase

Foundation phase objectives

- › preserve capital while seeking sufficient return to match CPI and cover all scheme charges
- › target a long-term volatility average of lower than the growth phase
- › significantly reduce the likelihood of extreme investment shocks
- › take appropriate risk at appropriate times, taking account of current economic and market conditions.

The Foundation phase is focused on getting members into the savings habit. During our research younger savers told us that they may stop saving if they see falls in the value of their savings. This is true even for a very short-term or one-off loss. For this reason members who join in their 20s will typically spend one to five years in the Foundation phase. In this phase we concentrate on seeking to ensure their retirement pot grows to get them used to the idea of saving. We still aim to beat CPI to protect the real value of their retirement pot but we don't expose them to the risks associated with chasing higher growth. We're prepared to give up a small amount of potential growth in this phase because the impact on final outcomes is negligible. We aim to encourage members to continue saving.

Managing investment risk – understanding risk

We provide more detail on current risk management and asset allocation in our quarterly fund factsheets. They can be downloaded from our website at nestpensions.org.uk/fund-range

Custodial arrangements

The scheme only invests in pooled funds. This means that the custody, or safekeeping, of the underlying assets in the pooled funds is carried out by the underlying investment manager's custodian. The funds and the respective custodians are detailed in Table 1 below.

State Street Bank and Trust Company (SSB) provide fund administration services to ensure that our members' money is managed in line with our investment strategy. It administers the NEST Retirement Date Funds and our additional fund choices.

NEST Corporation reviews the internal control reports produced by the investment managers and SSB on a regular basis. SSB reconciles investments and cash to the investment managers' records on a daily basis.

Table 1: Underlying funds and custodian

Underlying fund	Custodian
UBS Life World Equity Tracker Fund	J P Morgan
BlackRock Aquila Life Market Advantage Fund	J P Morgan
SSgA UK Conventional Gilts All Stocks Index Fund	State Street Bank and Trust
SSgA UK Index Linked Gilts over 5 Years Index Fund	State Street Bank and Trust
BlackRock Aquila Institutional Sterling Liquidity Fund	J P Morgan
Royal London UK Corporate Bond Pooled Pension Fund	HSBC
F&C Stewardship International Fund	State Street Bank and Trust
HSBC Life Amanah Pension Fund	HSBC Securities Services

Responsible investment

NEST owns equities, corporate bonds and other asset classes on behalf of NEST members. We believe that in order to protect and enhance the value of our investments over the long term on behalf of our members we must act as a responsible asset owner and market participant.

We will integrate the consideration of environmental, social and governance (ESG) issues across all asset classes and markets where practical. In particular, NEST will exercise its ownership rights, including voting and engagement rights, in order to protect members' interests.

We adopt a robust, responsible investment policy across all of our funds to improve corporate standards and ensure all investments are carried out responsibly and sustainably.

The fund managers we have selected are committed to taking a serious approach to investing responsibly and active ownership.

Codes and initiatives

In 2011 NEST signed the Financial Reporting Council's UK Stewardship Code, which is a set of good practice principles that aim to improve the way companies and shareholders work together in the long-term interests of shareholders.

NEST has also become a signatory to the United Nations-backed Principles for Responsible Investment (UNPRI). These encourage consistent standards for responsible investment around the world.

Responsible ownership partners

NEST works with The Co-operative Asset Management, our responsible ownership partner to help NEST engage with the companies we invest in and meet our responsibilities as an active and prudent asset owner.

NEST also uses data provided by the Ethical Investment Research and Information Service (EIRIS) for information that gives NEST a richer understanding of the environmental, social and governance (ESG) risks and opportunities contained within our investments. EIRIS also supports NEST in monitoring underlying portfolios and informing our voting and engagement activities.

Market commentary

Investment markets have continued to be volatile in the year under review. In particular, investors have been concerned about the risk of default in southern European countries and the uncertain outlook for global growth.

Central banks around the world have responded with continued and concerted loose monetary policy, and investors have taken comfort from messages from the authorities that they would take the necessary action to avoid widespread default. This has led to a large rally in equity markets since last summer.

NEST's Retirement Date Funds began the year cautiously positioned. However as it became clear that the risks were subsiding slightly, weightings were increased in equities at the expense of government bonds and cash. While the outlook remains uncertain as global imbalances are worked through, NEST's investment committee will remain alert to investment opportunities.

*Mark Fawcett, chief investment officer
June 2013*

Fund performance

NEST Retirement Date Funds have performed as we would have expected. They have delivered above-inflation returns within our given risk budgets while protecting members from excessive volatility in uncertain conditions. Like our members, NEST is investing for the long term rather than focusing on data related to short periods.

There are currently more than 50 separate funds in the different phases of risk management, including our NEST Retirement Date Funds and the alternatives available.

In table two on the next page we show performance for three NEST Retirement Date Funds in the three different stages – NEST 2055 Fund in the Foundation phase, the NEST 2040 Fund in the Growth phase and the NEST 2021 Fund in the Consolidation phase. We also show our five alternative fund choices.

Departure from Statement of Investment Principles (SIP)

There were no departures from the *SIP*.

Employer-related investments

The scheme is not in contravention of subsection (1) of section 40 of the 1995 Pensions Act. See note 9 of the financial statements and the table in the appendix.

Table 2: Performance of NEST funds

Fund	Fund performance one year to 31 March 2013 %	Benchmark performance one year to 31 March 2013 %	Fund performance since 1 August 2011 %	Benchmark performance since 1 August 2011 %	Benchmark
NEST 2055 Retirement Fund	12.7	3.2	10.6	3.3	*CPI
NEST 2040 Retirement Fund	13.6	3.2	10.9	3.3	*CPI
NEST 2021 Retirement Fund	12.2	3.2	10.1	3.3	*CPI
NEST Ethical Fund	13.4	3.2	12.7	3.3	CPI
NEST Sharia Fund	14.5	14.7	13.4	14.5	Dow Jones Islamic Market World Index
NEST Higher Risk Fund	15.6	N/A	12.0	N/A	Target higher volatility than the NEST Retirement Date Fund growth phase
NEST Lower Growth Fund	0.4	0.4	0.5	0.4	7-day sterling LIBID rate
NEST Pre-retirement Fund	8.1	4.1	8.7	6.2	75% - Annuity-tracking 25% - 7-day sterling LIBID rate

*The overarching investment objective of the NEST Retirement Date Funds is to target investment returns in excess of inflation after all charges over the long term. The chosen measure of inflation is the Consumer Price Index (CPI). NEST Retirement Date Funds in the Foundation phase target investment returns equivalent to CPI and coverage of all scheme charges. NEST Retirement Date Funds in the Growth phase target investment returns equivalent to CPI plus 3 per cent and coverage of all scheme charges.

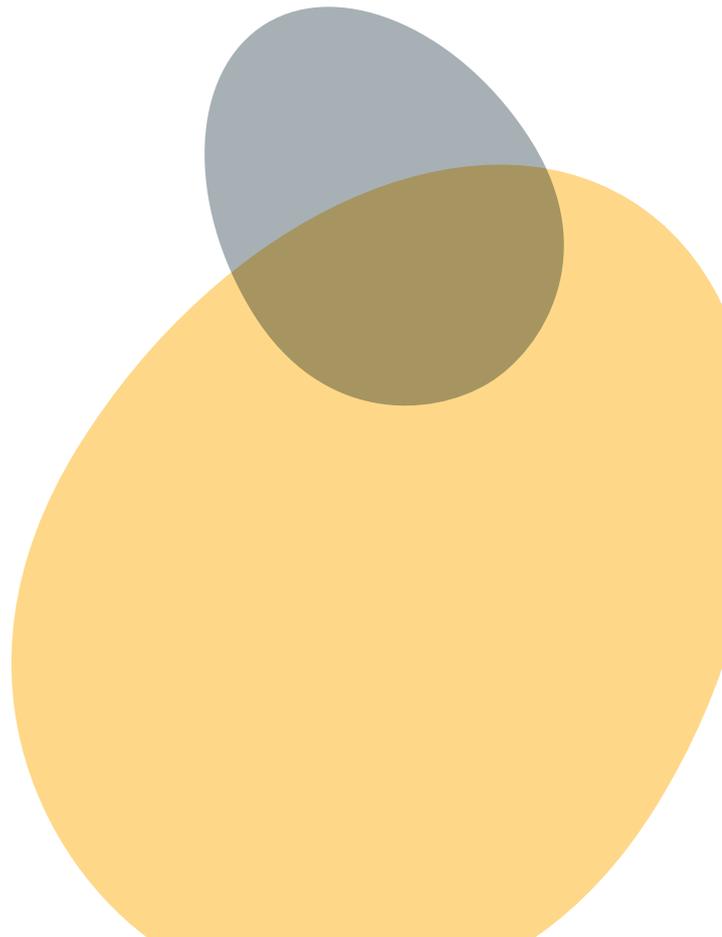
Table 3: Performance of underlying funds against their benchmarks

Fund	Assets under management AUM	Fund performance one year to 31 March 2013	Benchmark performance one year to 31 March 2013	Fund performance since 1 August 2011	Benchmark performance since 1 August 2011	Benchmark
	£000's	%	%	%	%	
UBS Life World Equity Tracker Fund	1,470	19.1	19.1	14.1	14.0	FTSE All World Developed Index
Blackrock Aquila Life Market Advantage Fund	956	8.0	10.7	6.7	9.4	60% MSCI World/40% BarCap Global Aggregate Index
SSgA UK Conventional Gilts All Stocks Index Fund	132	5.2	5.3	8.1	8.1	FTSE Actuaries British Government All Stocks
SSgA UK Index-Linked Gilts over 5 Years Index Fund	266	11.3	11.8	13.8	14.3	FTSE Actuaries UK Gilts British Gov Index-Linked Over 5 Years
Blackrock Aquila Institutional Sterling Liquidity Fund	451	0.5	0.4	0.6	0.5	7 day sterling LIBID rate
Royal London UK Corporate Bond Pooled Pension Fund	422	17.6	11.9	17.6	11.9	iBoxx Sterling Non-gilt All Maturities Index
F&C Stewardship International Fund	49	17.8	19.4	15.0	14.6	MSCI World Tracker
HSBC Amanah Fund	41	14.5	14.6	14.3	14.5	NEST Islamic Titans World Index
Total investments	3,787					
Net current assets	2,222					
Total net assets	6,009					

Top 10 scheme holdings as a percentage of total investments

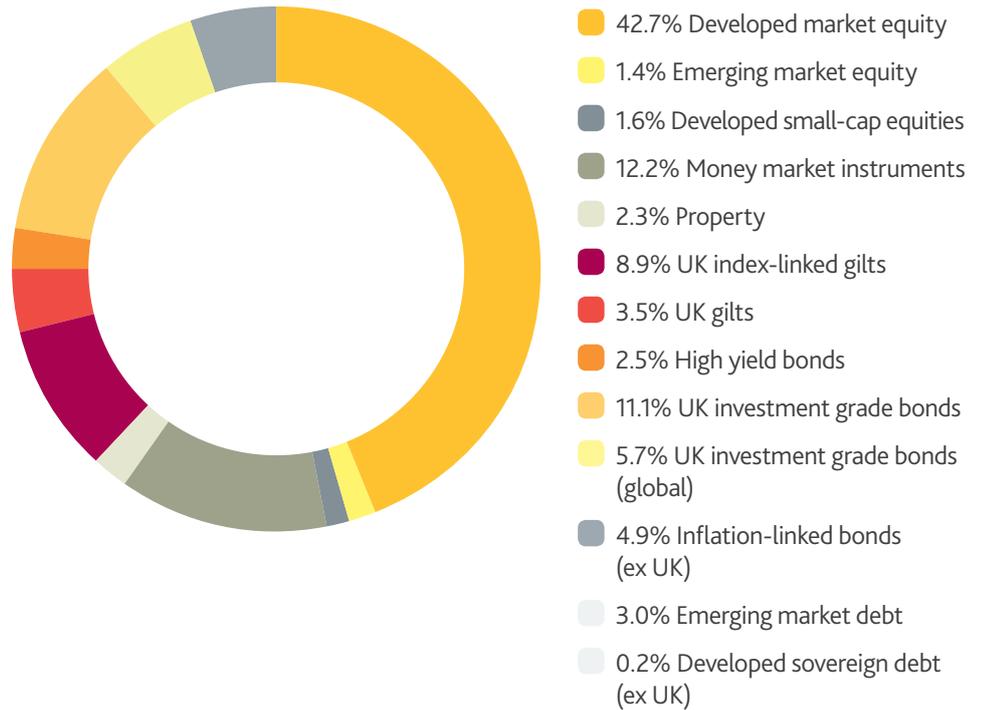
Underlying fund	% of investments invested
2½% UK treasury ILG maturity 2020	0.69%
1¼% UK treasury ILG maturity 2027	0.68%
1⅞% UK treasury ILG maturity 2022	0.68%
2½% UK treasury ILS maturity 2024	0.66%
Apple Inc	0.65%
Exxon Mobil Corp	0.61%
1¼% UK treasury ILG maturity 2055	0.57%
1⅞% UK treasury ILG maturity 2037	0.57%
1¼% UK treasury ILG maturity 2032	0.57%
2% UK treasury IL stock maturity 2035	0.55%

Included in the Appendix are the top 100 investments held through the underlying funds.



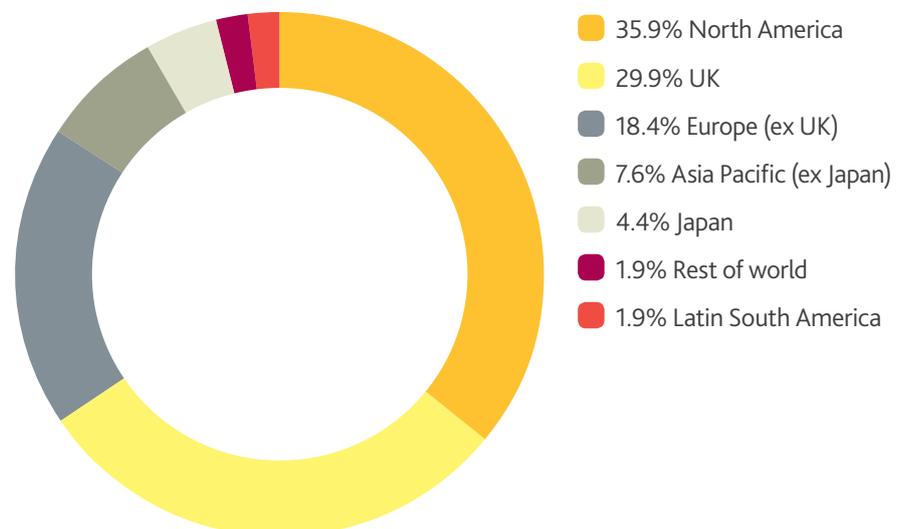
Asset allocation of investments

Asset allocation of total investments



Geographical breakdown of investments

Geographical breakdown of total investments



05 Independent Auditor's Report to the Trustee of the NEST pension scheme

We have audited the financial statements of NEST pension scheme for the year ended 31 March 2013 set out on pages 44 to 52. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee's responsibilities set out on page 24, the scheme Trustee is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at

www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

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 2013 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 Generally Accepted Accounting Practice; and
- contain the information specified in regulation 3 of, and the schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.



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

06 Financial Statements

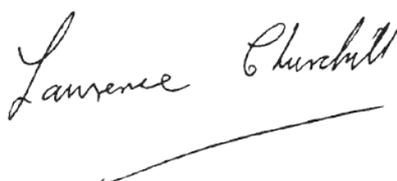
Fund account for the year ended 31 March 2013

	Note	Year ended 31 March 2013 £	18 July 2011 to 31 March 2012 £
Contributions and benefits			
Contributions	3	5,281,326	481,250
Other incomes	4	36,974	-
		5,318,300	481,250
Benefits	5	(1,574)	(2,016)
Administrative income	6	(64,168)	(6,973)
NEST additions from dealings with members		5,252,558	472,261
Return on investments			
Investment income and management fee rebates	7	646	48
Change in market value of investments	8.1	274,530	8,466
Net returns on investments		275,176	8,514
Net increase in the fund in the year		5,527,734	480,775
Net assets at start of year		480,775	-
Net assets of the scheme at 31 March 2013		6,008,509	480,775

Net assets statement as at 31 March 2013

	Note	31 March 2013 £	31 March 2012 £
Assets and liabilities allocated to members			
Investments			
Pooled investment vehicles	8.1/8.2	3,786,687	358,934
Other non-invested assets	8.3	37,058	3,504
Other non-invested liabilities	8.3	(37,435)	(3,660)
Total investments		3,786,310	358,778
Net current assets			
	9.1		
Current assets		2,224,234	133,583
Current liabilities		(2,969)	(11,586)
Total net assets allocated to members		6,007,575	480,775
Assets and liabilities not allocated to members			
Net current assets			
	9.2		
Current assets		3,405	14
Current liabilities		(2,471)	(14)
Total net assets not allocated to members		934	-
Net assets of the scheme at 31 March 2013		6,008,509	480,775

The accounts 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 44 and 45, including the notes to the financial statements on pages 46 to 52, were signed on behalf of NEST Corporation by:



Lawrence Churchill CBE
Chair
NEST Corporation
5 July 2013



Paul Hewitt
Chair, audit committee
5 July 2013

Notes to the financial statements for year ended 31 March 2013

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Financial Reports of Pension Schemes (the revised SORP), Statement of Recommended Practice (revised May 2007).

2. Accounting policies

The principal accounting policies of the scheme are as follows:

2.1 Contributions

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

Contributions made directly by members or other permitted parties are accounted for when received.

Amounts due from HMRC in respect of tax rebates on member contributions are accounted for in the same period as the related member contribution.

Amounts received in excess of the annual contribution cap are not recognised as contributions. They are held in current liabilities until the end of the year when they are either refunded or accepted as contributions for the following year.

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

2.2 Transfers

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

2.3 Benefits

NEST may pay benefits to members in the form of a:

- pension commencement lump sum
- purchase of an annuity via NEST Retirement Panel or from another annuity provider via an open market option
- trivial commutation.

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

2.4 Other income and expenses

Where material, other income and expenditure is accounted for on an accruals basis.

2.5 Charges

Contribution charges of 1.8 per cent are accounted for when contributions are invested. Annual management charges of 0.3 per cent of the value of members' funds under management are accounted for on a daily basis by reduction in the unit price.

2.6 Investments

Investments are included at market value. Pooled investment vehicles are stated at single price as provided by the investment manager.

2.7 Change in market value of investments

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

Investment income from the underlying investments of the pooled investment vehicles is reinvested within the pooled investment vehicles and reflected in the respective unit prices. It is reported within 'change in market value'.

3. Contributions

	Year ended 31 March 2013 £	18 July 2011 to 31 March 2012 £
Contributions from:		
Participating employers	2,682,761	277,291
less employers' share of refund of contributions for members opting out	(1,858)	-
	2,680,903	277,291
Members	2,119,160	163,152
less members' share of refund of contributions for members opting out	(1,431)	-
	2,117,699	163,152
HM Revenue and Customs	482,724	40,807
	5,281,326	481,250

4. Other income

	Year ended 31 March 2013 £	18 July 2011 to 31 March 2012 £
Transfers in - registered pension scheme	16,655	-
- pension sharing order	19,279	-
Funding from NEST Corporation	1,040	-
	36,974	-

The funding from NEST Corporation relates to day-to-day operational matters, such as rounding differences and pre-funding of tax relief. This is allowed under the order and rules and is shown as an unallocated balance in note 9.2.

5. Benefits payable

	Year ended 31 March 2013 £	18 July 2011 to 31 March 2012 £
Triviality payments	1,239	-
Death benefits payable to beneficiaries	335	2,016
	1,574	2,016

6. Administrative expenses

	Year ended 31 March 2013 £	18 July 2011 to 31 March 2012 £
Contribution charge	59,734	6,776
Annual management charge	4,434	197
	64,168	6,973

These charges are paid to NEST Corporation, see note 10 on related parties.

7. Investment income and management rebates

	Year ended 31 March 2013 £	18 July 2011 to 31 March 2012 £
Interest income	177	13
Management fee rebates	469	35
	646	48

8. Investments

8.1 Investment movements

	B/fwd as at 1 April 2012 £	Purchases £	Sales proceeds £	Change in market value £	C/fwd as at 31 March 2013 £
Pooled investment vehicles	358,934	3,347,752	(194,152)	274,530	3,787,064
Other investment balances (see note 8.3)	(156)				(377)
Total investments	358,778				3,786,687
Represented by					
Allocated to members	358,778				3,786,687
Not allocated to members	-				-
Total investments	358,778				3,786,687

8.2 Investment assets allocated to members

The scheme investments are held in either NEST Retirement Date Funds or a focused range of additional funds. As explained in the investment report on pages 29 to 41 the funds are invested through underlying funds which are managed by the underlying investment managers, as shown by total investments in note 8.1 above. When members' contributions are invested and allocated in accordance with their fund selection contributions are invested into the relevant funds below.

	31 March 2013 £	31 March 2012 £
NEST Higher Risk Fund	242,833	21,962
NEST Retirement Date Funds	3,416,543	325,818
NEST Pre-retirement Fund	1,913	-
NEST Ethical Fund	83,748	9,583
NEST Sharia Fund	41,650	1,415
Total assets allocated to members	3,786,687	358,778

8.3 Other investment balances

	31 March 2013 £	31 March 2012 £
Investment cash	36,546	3,463
Reimbursement due from investment managers	504	35
Sundry	8	6
Non-invested assets	37,058	3,504
Amount to be invested	(36,660)	(3,463)
AMC to be transferred to NEST Corporation	(775)	(197)
Non-invested liabilities	(37,435)	(3,660)
Total – other investment balances	(377)	(156)

9.1 Current assets and liabilities allocated to members

	31 March 2013 £	31 March 2012 £
Contributions from:		
Participating employers	1,011,197	53,766
Members	776,414	26,345
HM Revenue and Customs	279,559	24,774
Cash – to be invested	157,064	28,698
Current assets	2,224,234	133,583
Benefits payable	(36)	(2,016)
Amounts to be invested	(969)	(7,539)
Contribution corrections and limit breach repayable	(1,964)	(2,031)
Current liabilities	(2,969)	(11,586)
Net current assets allocated to members	2,221,265	121,997

Outstanding member and employer contributions at the year end totalled £1,787,611. These represented a mix of participating employers' contributions due as part of their employer duties or volunteer employers who were paying contributions as agreed in their payment schedules with pay reference periods ending 31 March 2013. In respect of these outstanding contributions, £1,752,086 was received by 31 May 2013.

Employer related investments

The balance at 31 March 2013 includes contributions due from employers totalling £1,427,452, which were paid after their statutory due dates as required by the payment schedules. Whilst these represent employer related investments at the year end of 23.8 per cent of the scheme's total net assets, they did not contravene subsection (1) of section 40 of the 1995 Pensions Act as employer related investment arising due to late contributions are not taken into account for the five per cent limit. With the exception of £35,525 all of the outstanding contributions from these employers were received by 31 May 2013. Investments held through pooled funds are shown in the appendix.

9.2 Current assets and liabilities not allocated to members

	31 March 2013 £	31 March 2012 £
Cash		
General account	934	-
Charges to be paid to NEST Corporation	2,471	14
Current assets	3,405	14
Amounts payable to NEST Corporation	(2,471)	(14)
Current liabilities	(2,471)	(14)
Net current assets not allocated to members	934	-

10 Related parties transactions

NEST pension scheme's Trustee is NEST Corporation, which is a non-departmental public body (NDPB) accountable to the Secretary of State for Work and Pensions. The scheme pays the Trustee the contribution charge and AMC shown in note 6 above. The total amount for the year was £64,168 (2012 : £6,973).

NEST Corporation is a participating employer in the scheme. Contributions of £625,956 (2012 : £178,023) were paid by NEST Corporation to the scheme during the year (2012 : period 18 July 2011 through to 31 March 2012).

Remuneration and pay for Trustee Members is set by the Secretary of State for Work and Pensions.

Julius Pursaill, a Trustee Member, is a contributing member to the scheme on standard business terms.

Tom Boardman, a Trustee Member, is one of the directors of a participating employer to the scheme. The participating employer makes contribution to the scheme 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 and the scheme administrators TCS. The details of these fees can be seen in the annual report and accounts for NEST Corporation for the year ended 31 March 2013.

07 Other useful information

NEST's public website is nestpensions.org.uk

If you are a member or an employer already using NEST, contact us at:

Email: support@nestpensions.org.uk

Phone: **0300 020 0090** 8am–8pm seven days a week and 10am–4pm on bank holidays. We are closed on Christmas Day, Boxing Day, New Year's Day and Easter Sunday and Monday

Postal Address:

**NEST Nene Hall
Lynch Wood Business Park
Peterborough
PE2 6FY**

Regulation and disputes

The Pensions Regulator

The Pensions Regulator (TPR) has powers to regulate occupational 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 duties.

You can find helpful information about TPR at thepensionsregulator.gov.uk

You can contact TPR at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW

Telephone: **0845 600 1011**

Email: customer.support@thepensionsregulator.gov.uk

The Pensions Advisory Service

The Pensions Advisory Service (TPAS) provides free independent advice and can help both members and beneficiaries of NEST if they are experiencing problems related to NEST or any other pension scheme.

You can contact TPAS at:

TPAS
11 Belgrave Road
London
SW1V 1RB

Telephone: **0845 601 2923** (pensions helpline)

Email: enquiries@pensionsadvisoryservice.org.uk

Website: pensionsadvisoryservice.org.uk

Pensions Ombudsman

The Pensions Ombudsman investigates and determines any complaint or dispute of fact or law, in relation to an occupational pension scheme, which cannot be settled through the Pensions Advisory Service (TPAS) and the Internal Disputes Resolution Procedure.

You can contact the Pensions Ombudsman at:

The Office of the Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB

Telephone: **020 7630 2200**

Fax: **020 7821 0065**

Email: enquiries@pensions-ombudsman.org.uk

Website: pensions-ombudsman.org.uk

Appendix - Schedule of the top 100 investments

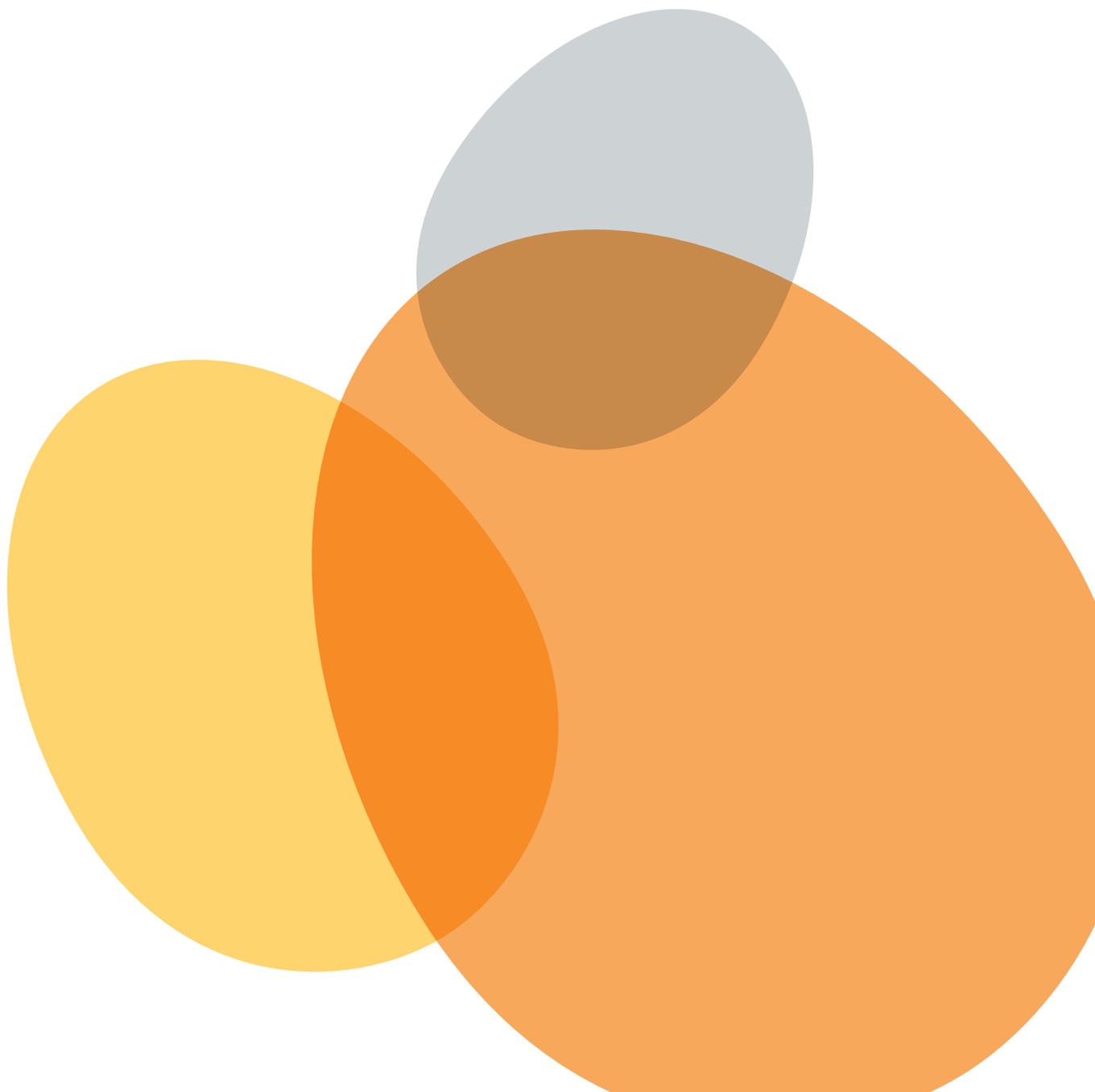
The top 100 investments as at 31 March 2013 have been calculated on a look through basis to underlying holding of the pooled funds invested in by the scheme. The employer related investments are participating employers in which the scheme invests at arms-length through the investment managers. Any employer related investments as a result of late contributions are disclosed in the financial statements note 9.

Number	Investments	% of investments	Employer related investment
1	2 ½% UK treasury ILG maturity 2020	0.69%	
2	1 ¼% UK treasury ILG maturity 2027	0.68%	
3	1 ⅞% UK treasury ILG maturity 2022	0.68%	
4	2 ½% UK treasury ILS maturity 2024	0.66%	
5	Apple Inc	0.65%	
6	Exxon Mobil Corp	0.61%	
7	1 ¼% UK treasury ILG maturity 2055	0.57%	
8	1 ⅞% UK treasury ILG maturity 2037	0.57%	
9	1 ¼% UK treasury ILG maturity 2032	0.57%	
10	2% UK treasury IL stock maturity 2035	0.55%	
11	2% UK treasury IL stock 2055 maturity	0.55%	
12	2% UK treasury ILG maturity 2035	0.55%	
13	1 ¼% UK treasury ILG maturity 2017	0.48%	
14	4 ⅞% UK treasury IL stock maturity 2031	0.47%	
15	HSBC Bank PLC	0.45%	
16	¼ % UK treasury ILG maturity 2050	0.44%	
17	⅝% UK treasury ILG maturity 2042	0.43%	
18	⅝% UK treasury ILG maturity 2040	0.43%	
19	⅜% UK treasury ILG maturity 2062	0.43%	
20	¾% UK treasury ILG maturity 2047	0.42%	
21	Barclays Bank Plc	0.37%	Yes
22	IBM	0.35%	
23	¾% UK treasury ILG maturity 2034	0.35%	
24	Microsoft Corp	0.35%	
25	Chevron Corp	0.35%	
26	Johnson & Johnson	0.33%	

Number	Investments	% of investments	Employer related investment
27	General Electric Co	0.33%	
28	Pfizer Inc	0.32%	
29	Nestlé	0.32%	
30	Procter & Gamble Co	0.31%	
31	Google Inc [A]	0.31%	
32	Samsung Electronics	0.28%	
33	Barclays Bank PLC 0.0% maturity 7 July 2013	0.28%	Yes
34	Novartis AG RS	0.28%	
35	AT&T Inc	0.28%	
36	Wal Mart Stores Inc	0.27%	
37	McDonalds Corp	0.27%	Yes
38	Coca Cola Co	0.27%	
39	Westpac Banking Corporation	0.27%	
40	HSBC Holdings	0.26%	
41	Wells Fargo & Co New	0.26%	
42	Nordea Bank AB 0.0% maturity 3 September 2013	0.26%	
43	Bred Banque Populaire GB	0.26%	
44	5% UK treasury ILG maturity 2029	0.25%	
45	Roche Holdings DRC	0.25%	
46	JPMorgan Chase & Co	0.24%	
47	Standard Chartered Bank 0.51% Ct Of Dep maturity 18 June 2013	0.23%	
48	Bank Of Nova Scotia GB	0.23%	
49	Oracle Corp	0.23%	
50	Landeskreditbank Baden Wuerttemberg Foerderbank 0.0% maturity 22 April 2013	0.22%	
51	Canadian Imperial Bank	0.22%	
52	National Australia Bank	0.21%	
53	Bank of Nova Scotia	0.21%	
54	Banque Federative Du Credit Mutuel 0.0% maturity 15 April 2013	0.21%	
55	Philip Morris Intl Inc	0.21%	

Number	Investments	% of investments	Employer related investment
56	Merck & Co Inc New	0.20%	
57	Barclays Bank PLC 0.0% maturity 31 May 2013	0.20%	Yes
58	BP	0.20%	Yes
59	Sanofi	0.20%	
60	Westpac Banking Corp	0.19%	
61	Vodafone Group	0.19%	
62	Verizon Communications Inc	0.19%	
63	Toyota Motor	0.19%	
64	Fms Wertmanagement Anstalt Des Oeffentlichen Rechts 0.0% maturity July 2013	0.19%	
65	Pepsico Inc	0.18%	
66	Rabobank Nederland	0.18%	
67	Nederlandse Waterschapsbank Nv 0.0% maturity 30 August 2013	0.18%	
68	Nederlandse Waterschapsbank Nv 0.0% maturity 6 November 2013	0.18%	
69	Bank Of America Corporation	0.17%	
70	Glaxosmithkline	0.17%	
71	Citigroup Inc	0.17%	
72	Russian Federation (government) 2.25% maturity 31 March 2030	0.17%	
73	Qualcomm Inc	0.17%	
74	Cisco Sys Inc	0.17%	
75	Banque Federative Du Credit Mutuel 0.0% 4 April 2013	0.17%	
76	Nordea Bank Ab 0.0% 20 May 2013	0.17%	
77	Total	0.16%	
78	Lloyds TSB Bank Plc GB	0.16%	
79	United States Treasury 0.125% maturity 2017	0.16%	
80	Royal Dutch Shell A	0.16%	
81	Intel Corp	0.16%	
82	BHP Billiton Limited	0.16%	

Number	Investments	% of investments	Employer related investment
83	United States treasury 1.125% maturity 2021	0.16%	
84	United States treasury 0.125% maturity 2022	0.16%	
85	Home Depot Inc	0.16%	
86	Commonwealth Bank Of Australia.	0.16%	
87	Berkshire Hathaway [B]	0.15%	
88	United States treasury 3.875% maturity 2029	0.15%	
89	Banque Federative Du Credit Mutuel 0.0% 11 April 2013	0.15%	
90	United States treasury 0.125% maturity 2016	0.15%	
91	United States treasury 0.125% maturity 2022	0.15%	
92	United States treasury 2.375% maturity 2025	0.15%	
93	Schlumberger Ltd	0.15%	
94	Finance For Residential Social Housing PLC 8.369% maturity 10 April 2058	0.15%	
95	Berkshire Hathaway [A]	0.14%	
96	2 ½% UK treasury IL stock maturity 2016	0.14%	
97	Siemens	0.14%	
98	British American Tobacco	0.14%	
99	Lloyds TSB Bank PLC 5.125% maturity 3 July 2025	0.14%	
100	FMS Wertmanagement Anstalt Des Oeffentlichen Rechts 0.0% maturity 2013	0.14%	

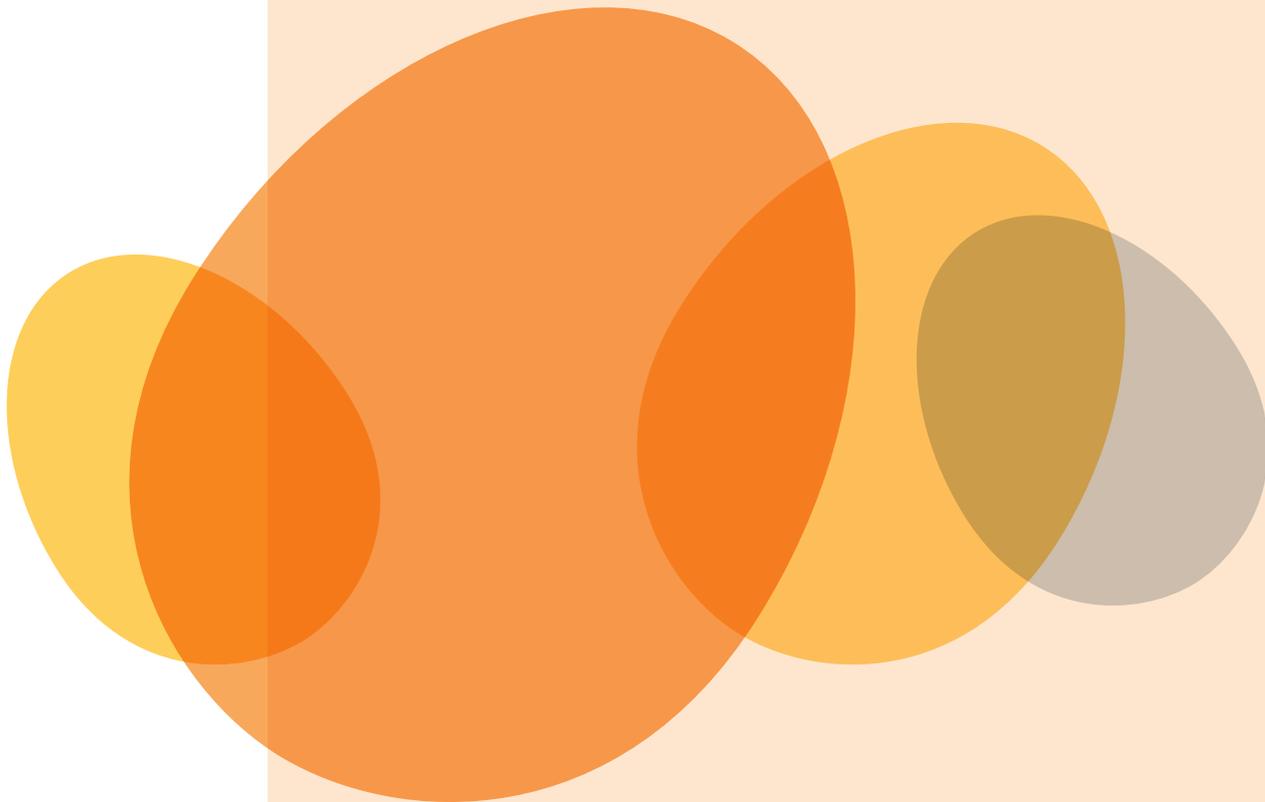


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St Dunstan's House
201-211 Borough High Street
London
SE1 1JA

Contact us:

Call **0300 303 1949**

Email employer.enquiries@nestcorporation.org.uk



Find out more online at
nestpensions.org.uk