



# Good governance

## Why good governance matters

Governance is the people, processes and structures that support good decision making. It's about having talented board members with a varied knowledge and experience supported by an executive body responsible for carrying out the day-to-day running of the scheme. It means having the right processes in place to ensure that members are engaged and get the best return on their money without taking too much risk. The processes should also make sure that the scheme is compliant and value for money.

Good governance is crucial to ensure members get the best possible outcome from their investment allowing them to enjoy a better quality of life in retirement. Having the right people in the right jobs, making informed decisions and setting efficient processes will have a direct impact on outcomes for members of a scheme.

## Master trust assurance framework

We're proud to have completed our third AAF 02/07 report under the master trust assurance framework, developed by The Institute of Chartered Accountants in England and Wales (ICAEW). These reports are a mark of good governance. They provide an independent assessment of the continued effectiveness of the design and operation of the internal control structure of our scheme.

Ours was one of the first schemes to complete a type 1 and type 2 AAF 02/07 report against the Master Trust Assurance Framework.

## How we support good governance

At NEST, we have the people, structures and processes in place to ensure the best results for our members. Our first obligation is to our members because we don't have shareholder interests to consider. That's why we're passionate about putting our members first.

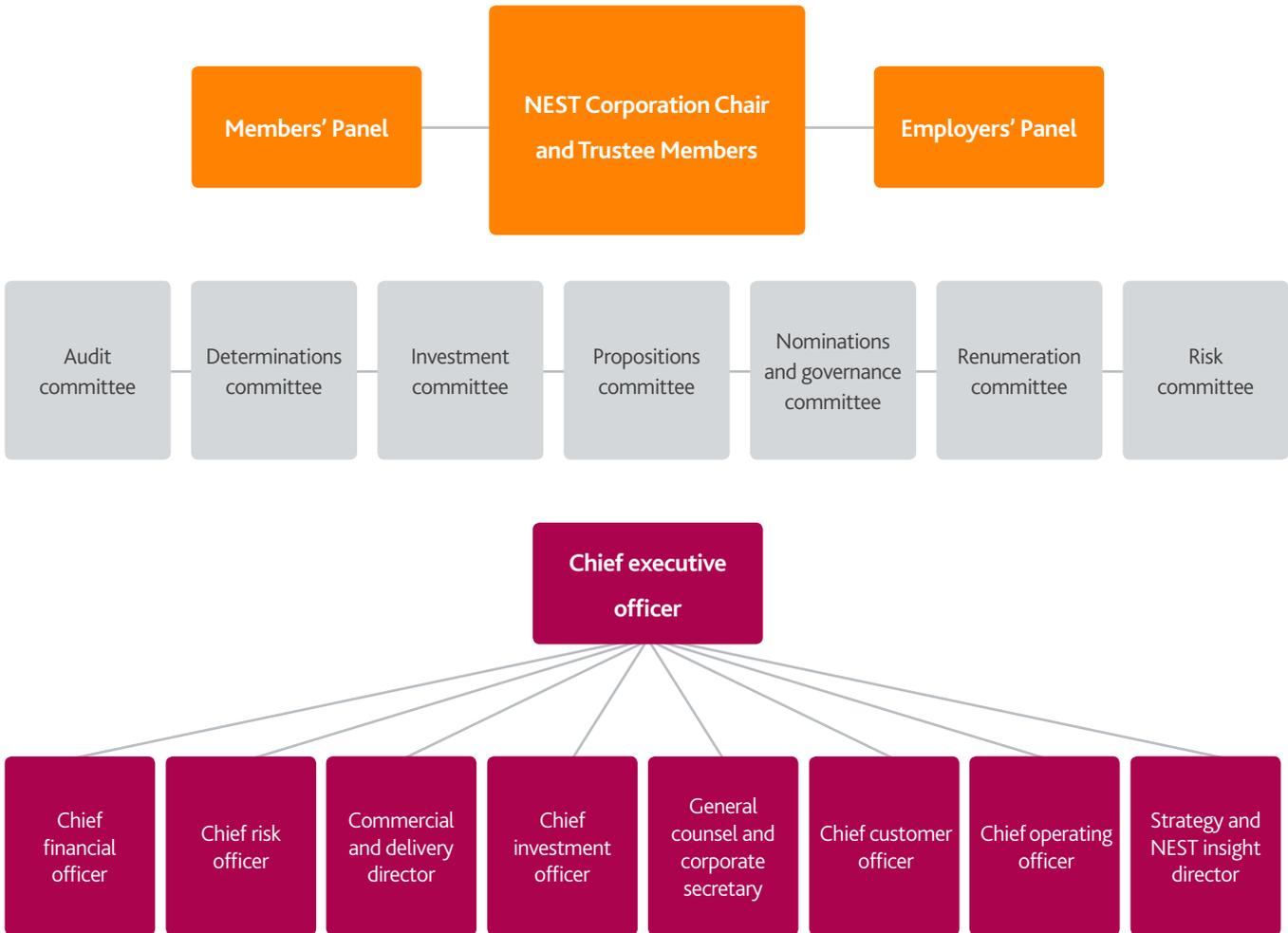
NEST Corporation is the Trustee of NEST. It's made up of a Chair and up to 14 Trustee Members. Day-to-day management of NEST Corporation and the NEST scheme is delegated by the Trustee to our executive team.

Trustee Members have a range of experience between them. They can also get advice as and when they need it. This means they can exercise their responsibilities as Trustee by providing experience of investment, pension fund management, member representation, finance, audit, governance and business management.

The depth and breadth of expertise and the longevity of the governance structure ensures that we operate with our members at the heart of everything we do. You can see the structure of our organisation on the next page.



Our organisation structure



Trustee Members

The Trustee Board was appointed in 2010 and our Trustee Members are chosen to ensure that the board has a broad range of skills, knowledge and experience. The Secretary of State for Work and Pensions selects them following guidance based on merit, fairness and openness. All our Trustee Members have completed an online learning programme — The Pensions Regulator’s Trustee Toolkit. They also have briefing sessions on relevant topics and ongoing education and training.

The Trustees’ priority is to provide a strong and stable scheme which operates in the best interests of its members. It focuses on delivering a good service to members and employers.

It also has to meet its public service obligation to enable any employer to choose our scheme.

The Trustee and its committees take decisions that affect the scheme and ensure that we fulfil our obligations as a non-departmental public body. Each year, the Trustee Board holds 10 meetings with the seven committees holding 40.

Committees

Our committees are responsible for overseeing and advising on their area of expertise. So, for example all investment decisions are overseen by the investment committee. This includes setting investment objectives, strategic asset allocation decisions, fund manager selection and monitoring as well as reviewing the Statement of Investment Principles (SIP). These committees make recommendations for the Trustee to approve.

## Employers' and Members' Panels

We set up these panels in 2011 to ensure that our employers and members have a say in how our scheme is run and developed. These panels give the Trustee assistance and advice on the operation, development or amendment of the scheme.

## Executive

The chief executive officer, Helen Dean, is responsible for the day-to-day operations and management of NEST Corporation and the NEST pension scheme. She delegates responsibility to members of the executive team, such as the Chief Investment Officer, Chief Risk Officer and Chief Operating Officer, and holds them responsible for delivery in their area of expertise. She chairs regular meetings of the executive board to oversee the operation of the Corporation and the scheme.

## NEST insight

At NEST, we're committed to sharing what we learn. The needs of our members and the wider DC generation are at the heart of everything we do. We have much to learn from our rapidly growing data set. By harnessing behavioural insights, we can help improve the retirement outcomes of millions of DC savers worldwide.

That's why we've set up NEST Insight. Its mission is to understand and help solve the challenges facing members of our pension scheme. We're building a rich store of data and insights on the needs and behaviours of a previously under-researched population. We work to make these findings available to the global academic and public policy communities.

NEST Insight is a standalone business unit within NEST Corporation. We maintain a small central team, backed up by researchers from partner organisations. Working this way, we can deliver a more ambitious research agenda than would otherwise be possible. We work with a diverse range of organisations that share our research interests and organisational outlooks. We value the way our partners bring their own fresh thinking and resources to our projects.

### The executive team



**Helen Dean**  
Chief executive officer



**Dan Davies**  
Chief risk officer



**Gavin Perera-Betts**  
Chief customer officer



**Mark Fawcett**  
Chief investment officer



**Richard Lockwood**  
Chief financial officer



**Nick Sex**  
Chief operating officer



**Will Sandbrook**  
Strategy and NEST insight director



**Neville Howe**  
General counsel and corporate secretary

## Value for money

The Pensions Regulator (TPR) defines value for money in a defined contributions (DC) pension scheme as follows:

'A scheme offers value for money where the costs of membership provide good value in relation to the benefits and services provided. This is when compared with other options available in the market. It does not necessarily mean low cost, provided higher costs can be justified by improved benefits.'

TPR recognises that there's no common definition of what constitutes value for money. This is because employers, trustees and scheme members will place different values on the components of a scheme.

At NEST, we've undertaken extensive research into the needs of our members to decide what value for money means for them. As a result of this research, we believe our scheme provides value for money because:

- We aim to ensure our default investment funds meet the needs identified by research for both managing risk and meeting the stated investment objectives.
- Our other fund options are straightforward enough that our members don't need any investment expertise to choose the one that's right for them.
- We make it easy for our members to get information on their pension pot as and when they need it. We also ensure that it's simple for them to make decisions based on this information.

- Our charges are low and transparent and we publish them. What's more, we make the effects of these costs and charges clear.
- We can take advantage of economies of scale. We're expected to become one of the largest DC schemes in the world. This means we can adopt a more sophisticated investment approach than smaller schemes and negotiate keen prices with partners.

## Governance that exceeds expectations

In its recent review of the auto-enrolment marketplace, Defaqto said the following about our governance:

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*"NEST is a trust-based pension scheme regulated by The Pensions Regulator and it appears to be meeting, if not exceeding, the various governance standards and duties imposed on it. NEST is one of the schemes that should be applauded for making much of the governance due diligence data required by advisers available on its website."*



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