

## **NEST Corporate Governance Statement**

(Approved by the Trustee Members on 05.07.2010)

### **Objectives**

This document provides an overview of NEST Corporation's corporate governance structure to comply with principles of good governance including the Good Governance Standards for Public Bodies, as well as other recognised codes of conduct and best practice.

### **NEST Corporation and its constitution**

As defined by s75 of the Pensions Act 2008 (the "Act"), NEST Corporation is a 'body corporate' and its functions under s76 are to:

- a) to act as a trustee of any scheme established under s67 of the Act and
- b) any other functions it is given by or under enactment in connection with the scheme.

### **Appointment of the Trustee Members**

The 'body corporate' is made up of Trustee Members, comprised of 15 individuals including a Chair.

Under Schedule 1 s1 (4) of the Act, the initial Trustee Members are appointed by the Secretary of State in line with the practices of the Office of the Commissioner of Public Appointments (OCPA). The appointed Trustee Members are collectively responsible for the success of NEST Corporation and the achievement of its strategic objectives and for maintaining corporate accountability. Each may serve up to a period of five years and be eligible for a further period of service not exceeding five years.

The Trustee Members may govern the business through a Table of Delegations to the Chief Executive Officer, which will be reviewed and updated regularly.

The positions of Chair and Trustee Member are separate and each has clearly defined roles and responsibilities.

### **Induction and on-going development**

All newly appointed Trustee Members will participate in a formal induction programme tailored to their individual needs. The induction programme is designed to give Trustee Members an understanding of NEST Corporation, its business, the environment in which it operates and their powers as set out in the Scheme order and rules. All Trustee Members are required to meet statutory trustee knowledge and understanding requirements as set out in s248 of the Pensions Act 2004 (the Pension Regulator expects this to be undertaken within 6 months of appointment). They will maintain and develop their general knowledge and skills during their period of office and will be supported by a personalised development programme to achieve this.

### **Trustee Member committees**

In accordance with Schedule 2, s9 of the Act, the Trustee Members have established committees to oversee key activities. The Trustee Members will agree Terms of Reference for each committee. The various committees will be responsible for oversight of audit, risk, investments, remuneration, nominations and governance and discretions (the latter relating to scheme casework as set out in the Scheme order and rules).

### **Employer and Member panels**

Under s69 (2) (a) + (b) of the Act, NEST Corporation must set up and maintain a panel of persons to represent members (“the members’ panel) and a panel of persons to represent employers (“the employers’ panel). NEST Corporation will take all reasonable steps to establish the panels as soon as practicable and, in any event, within 12 months after the first day on which a contribution is made to the scheme by, or on behalf or in respect of, a member of the scheme.

### **Stakeholder relations**

The Trustee Members place considerable importance on maintaining good relationships with stakeholders and NEST is committed to full transparency consistent with good governance and commercial confidentiality. NEST is also committed to treating its stakeholders fairly with access to information.

NEST Corporation will provide, publicly, information about a wide range of subjects within its annual report and accounts which will include full audit disclosure and risk statements and in response to its activities as a Non Departmental Public Body (NDPB) under the terms of the Freedom of Information Act (FOI).

NEST Corporation welcomes questions, concerns and feedback from all its stakeholders, which can be made through a variety of communication channels. Complaint, whistle blowing and grievance procedures exist and details of these are available on request.

### **Risk management**

The Trustee Members determine NEST Corporation’s risk tolerance, appetite and strategy. They set the risk strategy and, through the Risk Committee, review the effectiveness of the internal control processes in providing a responsible assessment and mitigation of risk.

A sound system of internal controls is maintained to safeguard NEST Corporation and its assets. NEST Corporation takes a risk based approach to its activities, which recognises the need to identify and manage risk for the benefit of Scheme members. NEST Corporation will comply with the Pension Regulator’s Codes of Practice and HM Treasury’s ‘Orange Book’ - Principles and Concepts of Risk Management.

The Trustee Members will establish procedures to identify, evaluate and manage significant risks faced by NEST Corporation and NEST. These procedures will include the review of strategic and political risk, financial, operational and compliance controls and risk management processes. The procedures aim to manage risk and provide reasonable assurance against material misstatement or loss.

### **Financial reporting**

The Trustee Members have a statutory requirement for preparing and disclosing proper accounting records for the Scheme in accordance with the Occupational Pension Schemes (Disclosure of information) Regulations 1996 (as amended). In addition, as an NDPB, they must also prepare a report and financial statements in respect of the NEST Corporation for laying before Parliament, which may be subject to accounting instructions issued by the Department for Work and Pensions (DWP) and/or HM Treasury.

The Trustee Members, Accounting Officer, Senior Managers and other staff preparing financial statements are required to conduct themselves with integrity, honesty and in accordance with the ethical standards which apply to the business. They are required to

promote full, fair and accurate timely and understandable disclosures in compliance with all applicable laws, rules and regulations in all financial statements.

The Trustee Members are responsible for establishing and maintaining internal control over financial reporting to provide reasonable assurance regarding the reliability of financial statements. The Trustee Members have a general responsibility for taking appropriate steps as are reasonably open to them, to safeguard assets and to prevent and detect fraud and other irregularities.

<b>Business integrity</b>
---------------------------

NEST Corporation undertakes its business with integrity, honesty and fairness at all times, building from a foundation of compliance with all relevant laws, regulations and codes of conduct/best practice.

-----