National Employment Savings Trust Corporation Annual report and accounts

2013-2014

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National Employment Savings Trust Corporation

Annual report and accounts 2013/14

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01 Chair's statement

This is the fifth annual report I have written as Chair. In this year's foreword I would like to set events of the current year in the longer-term context.

If the year 2013/14 made any mark on the pensions landscape, it was to cement automatic enrolment as one of the most successful pension policies in a generation. The numbers speak for themselves. NEST membership is up from around 80,000 last year to over a million members in March 2014, and assets under management are up from £3.8 million to £104 million. Across the UK, the number of automatically enrolled members totals over three million.

The relative smoothness of our first full year of operation was helped by the large employers preparing thoroughly and in plenty of time. Now that we have valuable hands-on experience of how to successfully set up employers at NEST, we know how vital certain elements are, like early preparation, engaging with the payroll community, a good knowledge of the workforce, and ensuring data is clean and ready. This is a message that needs to get out to the small and medium-sized employers whose automatic enrolment staging dates are coming up.

I believe that NEST has made a positive contribution to building a better pensions environment. Born out of the market failure exposed by the Turner Commission a decade ago, NEST fashioned its offer to address many of the characteristics of that failure. These included low charges, simple language, strong governance focused on members' interests and an investment strategy designed specifically for the prospective membership. The appeal of the NEST model has been demonstrated by key elements being adopted by other providers and consequently benefits which are enjoyed by NEST members are also being enjoyed to a great extent by members of other schemes. One example of this is NEST acting as a stimulant of low-cost provision in the market, the benefits of which are accruing to people saving for their retirement more generally.

With more and more people coming into pensions for the first time as a result of automatic enrolment, it's crucial that providers like NEST continue to help members feel engaged with their retirement savings. And as pension pots grow in size, it's increasingly important to encourage members to take a long-term view of saving and understand how contributing to a pension can help them meet their needs in retirement.

The remaining years of automatic enrolment staging will focus on a larger number of employers – and of a different kind to those who have gone before. Of a much smaller size and relatively less complex than their predecessors, their resources and familiarity with pensions will also likely be much reduced. The challenges that come with this have been well flagged by commentators and The Pensions Regulator (TPR).

Like every provider we're operating in an evolving environment, to which the whole pensions market continues to adjust. We're very grateful for the support of the stakeholder community without which our job would be much more difficult. The support of payroll professionals, accountants and intermediaries has been and will continue to be crucial.

In the 2014 Budget the Chancellor announced changes to the retirement income environment and we're carefully considering how NEST members can best benefit. We'll be asking for ideas and opinions from across the stakeholder community.

We're still learning where we can from others. In this regard, our continuing engagement with the international community, UK pensions industry, consumer bodies and our customers has been essential.

NEST operates an outsourced model and we could not have sustained our operational service without the close and active partnership of a number of organisations, in particular, Tata Consultancy Services (TCS). They've proven to be very professional colleagues, and are as enthused with our mission as NEST staff themselves.

We also wouldn't have achieved what we have without the dedication of our employees. At times the transition from what was essentially a start-up project to a steady state pension provider has not been an easy journey. Strengthening staff engagement and culture remains a work in progress. We also enjoy areas of excellence which have been publicly recognised with awards for our investment strategy, communications and risk management.

On behalf of my fellow Trustees, I would like to thank our chief executive officer, Tim Jones, and his executive leadership team for their skills, resilience and enthusiasm. Building NEST has at times been challenging but it is hard graft of the most rewarding sort. We will continue to ensure we have the right resources to fulfil our role.

Finally, I'd like to thank my fellow Trustee Members for their leadership, wisdom and camaraderie. Three members, Laurie Edmans, Paul Hewitt and Julius Pursaill completed their four-year term and stepped down at the end of March. In their place I welcome Ian Armfield, Graham Berville, Carolan Dobson and Karen Silcock. I also congratulate Tom Boardman on his appointment to the role of Deputy Chair, last occupied by Baroness Drake. The next few years will be a critical time for NEST as the business focuses on helping an increasing number of smaller employers meet their automatic enrolment duties. The Deputy Chair will strengthen the Trustee and support the Chair and the chief executive officer in managing this challenge.

It's been a privilege to lead NEST Corporation in its formative period and I hope it will continue to support the cause of pension reform with great success.

Lawrence Churchill CBE
Chair
NEST Corporation

27 June 2014

02 Trustee report

This report has been prepared in accordance with chapter 5 of part 15 of the Companies Act 2006 and schedule 7 of SI 2008 No.410 as interpreted for the public sector context.

2.1 About NEST Corporation

NEST Corporation is a public body that was established on 5 July 2010. Its role is to be the Trustee of the NEST pension scheme, ensuring that the scheme is run in the interests of its members. NEST Corporation's public body powers and the legislative basis for the NEST pension scheme are set out in the Pensions Act 2008. The NEST scheme order and rules set out how NEST Corporation's duties as a Trustee and the scheme will operate.

NEST Corporation is a non-departmental public body (NDPB) sponsored by the Department for Work and Pensions (DWP) as a key component of the automatic enrolment programme. It has a public service obligation to accept all employers who want to use the scheme to meet their automatic enrolment duties. Its working relationship with the DWP is set out in a Framework Document and in a Memorandum of Understanding agreed between both parties on 11 November 2010 and 19 April 2011 respectively.

The *NEST pension scheme annual report and accounts 2013/14* are produced separately from this document and may be found on the NEST website **nestpensions.org.uk/library**

2.2 Key events in the year

In the last year NEST has grown from its infancy to become a major pension scheme with over one million members, 4,692 employers participating in the scheme and assets under management of £104 million as at 31 March 2014. The scheme is set to continue growing significantly over the next few years. The Trustee's priority is to provide a strong and stable scheme that operates in the best interests of its members. The scheme must offer a good service to employers and meet its public service obligation to accept any employer that chooses to use NEST for their automatic enrolment duties. These factors have informed the Trustee's focus during the year, which has been to:

- continue improving processes for setting up employers, to make joining the NEST scheme and meeting automatic enrolment duties as straightforward as possible for employers
- continue developing scheme operations to ensure there is capacity and flexibility to deal with large but uncertain increases in volume
- strengthen the design and operation of internal controls to ensure the effective protection of scheme member assets and NEST Corporation funds

- monitor the investment performance of our assets under management
- develop our organisational culture and strengthen staff engagement
- continue to provide clear, straightforward and accurate communications for members and employers
- continue to strengthen the connections between the Trustee and its outsourced suppliers
- continue to strengthen the governance infrastructure and the relationships and behaviours that support this
- refine and tighten the delegation protocols.

A programme of work has been undertaken to ensure that a robust framework of internal controls is in place supported by independent assurance. This has included:

- a detailed assessment of the design and operational effectiveness of key internal controls across NEST Corporation
- a review and streamlining of internal policies and a new code of conduct setting out the policies all staff need to be aware of and adhere to
- continued monitoring of the operation and administration of the NEST scheme
- a range of measures to underpin the culture and values of the organisation.

2.3 Looking ahead

The scheme is set to continue to grow significantly during the 2014/15 financial year. The majority of members that have joined the scheme to date have come from larger employers. This year many small and medium-sized employers are likely to choose to use the NEST scheme as their staging dates approach. These employers will have varied experience of making pension provision for their employees and some will be doing so for the first time.

The Trustee will prioritise:

- the continued development of processes to make it as straightforward as possible for employers to join the scheme. This will include supporting delegated access arrangements for employers who want to use an intermediary to set up their automatic enrolment pension provision through NEST
- the continued development of scheme operations to support the volume of employers and members joining the scheme

- clear and concise communications for members and employers, including highlighting the benefits of adequate saving for retirement
- the continued focus on staff development and engagement to provide a skilled and experienced workforce committed to the organisation's values and able to respond flexibly to the challenges of volume. This will include working towards accreditation for Investors in People
- the continued focus on strengthening internal controls and an organisational culture that supports their delivery
- positioning NEST for future changes.

The programme of work to address these priorities is set out in NEST Corporation's *Corporate plan 2014-17* available at **nestpensions.org.uk/library** – see more about this in section 5.

2.4 Organisation structure

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

The terms of reference for NEST Corporation and its committees are published on our website at **nestpensions.org.uk/terms-of-reference**

A scheme of reserved powers and delegated authorities gives authority and responsibility to the chief executive officer for the day-to-day operations and management of NEST Corporation. We reviewed the scheme in September 2013 and concluded that it remained fit for purpose, but we are enhancing it further by adopting a more precise set of definitions of different types of delegation and are updating our documentation accordingly.

Under the NEST order 2010 (SI 2010 No.917), article 8, the Employers' Panel and Members' Panel must give any assistance and advice requested by NEST Corporation about the operation, development or amendment of the scheme. For further information on the panels, see section 3.10.

The NEST Corporation Trustee has 12 members, consisting of a Chair, a Deputy Chair and 10 other Trustee Members, who are responsible for setting the strategic direction and objectives for NEST Corporation, which includes running the NEST pension scheme.

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 continuing to oversee the implementation process
- ensuring our compliance with regulatory obligations
- developing the appropriate culture and remuneration practices.

Details relating to corporate responsibility, environmental, social and community matters, staff sickness and other employee-related information can be found in Appendix 2.

A description of the pension arrangement for NEST Corporation staff is given in the remuneration report in section 6 and the accounting treatment is described in accounting policy note 1.9 and note 2b to the financial statements.

2.5 Trustee Member profiles

Lawrence Churchill CBE, Chair NEST Corporation

Chair, Nominations and governance committee

Lawrence is chair of the Financial Services Compensation Scheme (FSCS) and a non-executive director of the board of BUPA. He is also a Trustee of the International Longevity Centre, UK and a governor of the Pensions Policy Institute (PPI).

Previous appointments have been as chair of the Pension Protection Fund (PPF), a member of the Board for Actuarial Standards, chief executive of Zurich Financial Services UK and International Life, executive chair of Unum and chief executive of NatWest Life and Investments.

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

Tom Boardman, Trustee Member

Deputy Chair (from 1 June 2014)

Tom has been in the pensions and insurance industry for 40 years. Much of this time has been in executive roles at Prudential and Nationwide. His last role at Prudential UK was as director of retirement strategy and innovation.

He left Prudential in 2010 to become a Trustee Member of NEST Corporation and to take up a role as a senior advisor at the Financial Services Authority (FSA). On the closure of the FSA in April 2013 he became a senior adviser of the Financial Conduct Authority (FCA).

Tom is a Fellow of the Institute and Faculty of Actuaries (IFoA), an honorary visiting professor at the Cass Business School and the Pensions Institute (PI), as well as being a governor of the Pensions Policy Institute (PPI).

Iraj Amiri, Trustee Member
Chair, Audit committee (from 1 April 2014)

Iraj was a partner with Deloitte LLP for over 20 years. There he led the National Internal Audit Group 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 (FSCS), The Pensions Regulator (TPR), National Savings and Investments and the European Investment Bank (EIB). He also has extensive private sector experience at a senior level, serving such organisations as Schroders and The Wellcome Trust.

As well as being an FCA, Iraj is a fellow of the Royal Statistical Society, a member of the Regulatory Decisions Committee of the Financial Conduct Authority (FCA), chair of the Audit and Risk Committee for the Actuarial Profession and was a member of the Internal Audit Task Force of the Institute of Chartered Accountants in England and Wales (ICAEW) for a number of years.

Sharon Darcy, Trustee Member
Chair, Risk committee (from 25 April 2013)

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

She was a non-executive director of Consumer Futures until March 2014 and was previously on the board of energywatch, an organisation which helped consumers deal with problems with their energy suppliers and also campaigned on fuel poverty. She is currently a Member of the Committee on Standards of the House of Commons.

In the past Sharon was a non-executive director of The Hyde Group, a large housing association, 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.

Laurie Edmans CBE, Trustee Member *(up to 31 March 2014)*
Laurie is chair of Marine and General Mutual Life Assurance Society, a long-established mutual life assurance and pensions company.

He is on the council of the Pensions Policy Institute (PPI) and is the chair of Bdifferent, a specialist financial services branding and research agency. He is chair of Trustees of the Trinity Mirror pension plan and a Trustee of the Quest School, a charity for autistic children.

Laurie is a non-executive director at the Money Advice Service and was until recently the chair of Safe Home Income Plans (SHIP), the trade association for equity release products. Before joining NEST Corporation, Laurie was a non-executive director of The Pensions Regulator (TPR) following three years on the board of its predecessor, OPRA.

Paul Hewitt, Trustee Member *(up to 31 March 2014)*
Chair, Audit committee (up to 31 March 2014)
Paul is currently the chair of a number of companies including RJ Kiln, Shop Direct Financial Services, The Good Care Group and Four Times Enterprises. Paul is also non-executive director of Tesco Bank and Kiln Group.

Paul was previously a non-executive director of NEST Corporation's predecessor, the Personal Accounts Delivery Authority (PADA).

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, Trustee Member
Chair, Investment committee (up to 25 April 2013)

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 £20 billion and Chris is also a director of the group's FSA-authorised 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 a past chair of the National Association of Pension Funds (NAPF) and director of the Pensions Quality Mark, an initiative to give recognition to good defined contribution pension provision. Chris is also a past chair of both the NAPF Investment Council and the Institutional Shareholders Committee.

Julius Pursaill, Trustee Member *(up to 31 March 2014)*
Chair, Risk committee (up to 24 April 2013)
Chair, Investment committee (from 25 April 2013 to 31 March 2014)

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 is also chair of the DC Governance Committee at Heineken and the Scottish Life investment advisory committee as well as an independent member of the Royal London with Profits Committee.

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.

Enid Rowlands, Trustee Member

Enid 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 member of the General Medical Council and a Trustee of its pension scheme, chair of the remuneration committee for the Information Commissioner's Office and a non-executive director of the Solicitors Regulation Authority. Enid was previously a board member for 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, Trustee Member

Chair, Remuneration 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, including 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, Trustee Member
Nigel has been head of campaigns and communications at the Trades Union Congress (TUC) since May 1997, where he has led much of the TUC's work on pensions reform following the report of the Pensions Commission. Nigel is currently a Trustee of the TUC Superannuation Society.

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 Members of Parliament.

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.

Ian Armfield, Trustee Member *(from 1 April 2014)*
Ian is a non-executive director and chair of the audit committee for Keystone Investment Trust plc.

Ian was an audit and risk assurance partner with PricewaterhouseCoopers LLP for over 20 years and specialised in the investment management and pension sectors. He was also one of the firm's leading experts on non-audit assurance. His clients included many of the UK's leading asset managers, some of the UK's largest pension schemes and numerous service organisations providing outsourced administration, transfer agency and custody services to those sectors.

He's a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW) and for more than 10 years has been a member of several of the ICAEW's working parties, including investment business, third-party assurance and master trusts.

Carolan Dobson, Trustee Member *(from 1 April 2014)*
Chair, Investment committee (from 1 April 2014)
Carolan has a background in asset management and is an experienced Trustee and non-executive director in public and private sector organisations. Her most recent experience is as the chair of the Bespak Pension Scheme, JP Morgan European Smaller Companies Trust and Aberdeen Smaller Companies High Income Trust. She is also chair of the investment sub-committee for Vaillant Group Pension Scheme and a member of the Competition and Markets Authority (CMA).

Karen Silcock, Trustee Member *(from 1 April 2014)*
Previously a chartered accountant, Karen's portfolio includes non-executive director roles at the Office for Legal Complaints (OLC), a regional Wildlife Trust, and advisory work with The High Street Fund.

Karen was a partner at Deloitte LLP from 1993 to 2010, working in the reorganisation services business advising on insolvency and restructuring, and subsequently as a partner in the firm's risk management team and as joint chief risk officer. Her public policy roles have included chair of the Federation of European Accountants Money Laundering Working Party and chair of the Institute of Chartered Accountants in England And Wales (ICAEW) money laundering sub-committee. Karen was also an elected member of the ICAEW council from 2007 to 2009, was formerly vice-chair of the Professional Standards Board of the ICAEW and a member of its disciplinary committee.

Graham Berville, Trustee Member *(from 1 June 2014)*
Graham has worked in financial services for 35 years. His executive career was with the Automobile Association (AA), Aviva plc and Police Mutual. Graham is currently a non-executive director at Age UK Enterprises and the Veterinary Defence Society (VDS).

He's also chair of the LV= with-profits committee, a trustee of Yorkshire Cancer Research (YCR). He is currently a senior independent advisor for BDO LLP.

2.6 Register of interests

Trustee Members of NEST Corporation have registered any interests they hold that may create an actual or potential conflict with their responsibilities to NEST. Trustee Members also declare conflicts in relation to any items of business in Trustee meetings. Members of the executive team also register any interests they hold that may create a potential conflict with their responsibilities to NEST.

The Trustee Member register of interests is published on our website at **nestpensions.org.uk/Registered-interests**

Lawrence Churchill

Lawrence Churchill CBE
Chair
NEST Corporation

27 June 2014

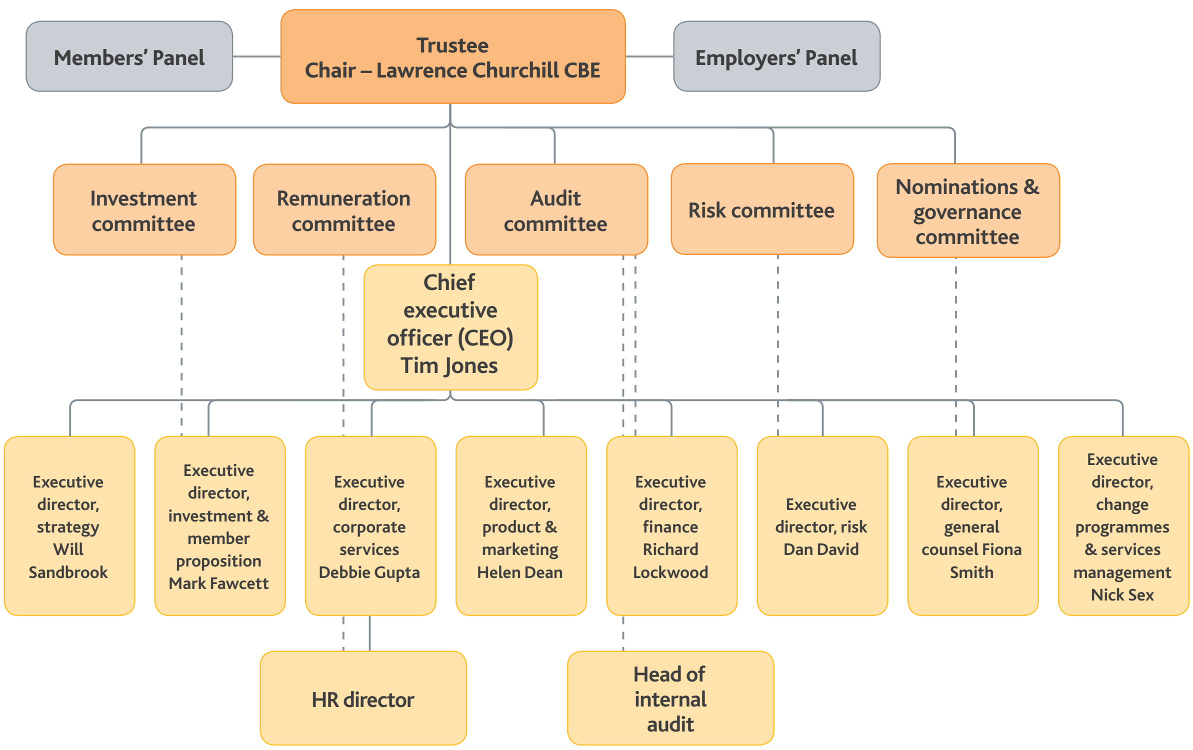
03 Governance statement

NEST Corporation was established under the Pensions Act 2008 as a non-departmental public body (NDPB) to set up and manage the NEST pension scheme. It has a public service obligation to accept all employers who want to use the scheme to meet their automatic enrolment duties. NEST Corporation is the Trustee of NEST pension scheme and in addition to legislative requirements has accountability for making decisions according to trust law.

The key features of NEST's governance, the principal risks and uncertainties we face, and the controls and mitigations we have put in place to address those risks, are summarised in this statement.

3.1 Governance framework

The table below shows the governance structure for NEST Corporation as at the signature date of the annual report and accounts.



There are 12 Trustee Members including the Chair and the Deputy Chair. The Trustee Members were independent at appointment having no current or previous material relationship with the organisation as an employee, officer or contractor. Paul Hewitt was a non-executive member of the Personal Accounts Delivery Authority (PADA) board which designed the NEST scheme. The Trustee and its committees take decisions that affect the NEST scheme and ensure that the Corporation fulfils its obligations as an NDPB.

The Trustee met 10 times during the year, with two meetings focused exclusively on strategy. It has established audit, investment, nominations and governance, remuneration and risk committees. These committees meet as required and report back on their work at NEST Corporation Trustee meetings. Details of the meetings can be found in section 3.4.

The chief executive officer (CEO) has powers delegated to him through a scheme of reserved powers and delegated authorities from the Trustee. In turn, he delegates authority to and holds each member of the executive team accountable for delivery of their specific objectives. Regular executive team meetings are chaired by the CEO to discuss key issues and provide an escalation route for matters that need to be considered by the whole executive team. In addition there are advisory committees of executives that are used to explore issues and consult with colleagues.

After completing two fixed-term contracts, Tim Jones was appointed on a permanent basis as chief executive officer of NEST Corporation with effect from 7 January 2014.

3.2 Corporate governance

NEST Corporation subscribes to high standards of corporate governance in order to serve the best long-term interests of the pension scheme members and to fulfil its obligations as a non-departmental public body (NDPB).

It is required as an NDPB to formally report its compliance with the HM Treasury/Cabinet Office *Corporate Governance Code* for central government departments on a 'comply or explain' basis. This governance statement sets out how NEST Corporation addresses the requirements of the four principal areas of the Code:

Accountability

NEST Corporation is accountable to Parliament. The reporting lines of accountability are through the Chair to the Secretary of State, and through the accounting officer to the principal accounting officer in DWP. On non-accounting officer responsibilities the CEO reports to NEST Corporation through the Chair.

Governing body composition

Profiles for NEST Corporation Trustee Members are set out in section 2.5.

Governing body effectiveness

NEST Corporation reviews its effectiveness and that of its committees on an annual basis. As explained in section 2.4, NEST Corporation delegates to the CEO through a schedule of reserved powers and delegated authorities that is reviewed annually.

Risk management

NEST Corporation is responsible for ensuring that there is a continuous process for identifying, evaluating and effectively managing any material risks faced by the organisation. In order to assist it in carrying out its responsibilities, NEST Corporation has established a risk committee in line with best practice corporate governance. Details of the risk committee's activity can be found in section 3.9.

NEST Corporation policies

Our policies set out how we operate and are essential for good governance as well as a core element of our system of internal control, enabling us to respond to regulatory requirements and compliance obligation. They also act as an important control mechanism for the management of key risks. Policies apply to everyone at NEST Corporation and set out key behaviours and courses of action which all staff must comply with.

During the course of the year, further work has been conducted to make sure that NEST Corporation has a robust framework for setting and applying policies and assuring compliance with policies.

3.3 Trustee activities

The nominations and governance committee approves the process for effectiveness reviews for the Trustee and its committees. An external facilitator is used to carry out the review every third year.

Actions from the 2012 review included the appointment of Paul Hewitt as senior independent director by the Trustee in April 2013. Minor changes were agreed to the terms of reference, including formalising corporate governance best practice by ensuring that the chairs of the audit and risk committees serve as members of one another's committees.

The Trustee also worked with a facilitator during the year to develop their strength as a team both within the governing body and working with the executive team, where a number of individuals were relatively new in post.

The 2013 Trustee and committee effectiveness reviews were carried out between December 2013 and March 2014. The discussion on the feedback from the reviews focused on whether the balance of skills, knowledge and diversity on the governing body, as well as the time and resources allocated for debate, were appropriate for the challenges facing the scheme as volumes grow and assets under management begin to increase.

During the initial period the Secretary of State for Work and Pensions is responsible for appointing NEST Corporation Trustee Members. The Department for Work and Pensions (DWP) initiated a recruitment exercise in January 2014 as the terms of office for Laurie Edmans, Paul Hewitt and Julius Pursaill were due to end on 31 March 2014. The appointment of Ian Armfield, Carolan Dobson and Karen Silcock as NEST Corporation Trustee Members was announced in April 2014 and the appointment of Graham Berville was announced in May 2014. The DWP also ran a recruitment exercise to appoint a Deputy Chair of NEST Corporation. The appointment of Tom Boardman was announced in May 2014.

The Chair held a performance appraisal meeting with each Trustee Member. The senior independent director led on the appraisal process for the Chair.

The Trustee welcomed Pension Quality Mark (PQM) ready accreditation and numerous awards as recognition of the robust and innovative work to strengthen the NEST scheme. These included awards for Transformation and SME Risk Management at the 2013 CIR Magazine Awards, Communication Innovation and Auto-Enrolment Innovation of the Year at the 2013 Workplace Savings and Benefits (WSB) Awards and multiple investment awards.

The Trustee also welcomed the well-managed move of NEST Corporation to new offices at Riverside House as the lease on its previous premises came to an end.

3.4 Trustee meetings

During the year the Trustee received and scrutinised information on scheme administration, volumes, investment performance, risk management, internal controls, operational activities and volume projections. The Trustee also considered the strategic development of the scheme and took a number of decisions flowing from the normal cycle of business. The Chair and CEO provided an update at meetings on the key issues on their agenda. Committee chairs reported back on decisions taken and issues discussed at committee meetings. A business update was presented at each meeting to provide information to the Trustee on key operational issues and performance against objectives.

The Trustee approved the budget and corporate plan for 2014-2017, incorporating the business plan for 2014-2015.

The annual report and accounts for 2012/13 for NEST Corporation and for the NEST scheme were also approved. These documents can be found on the NEST website at **nestpensions.org.uk/library**

Other highlights from Trustee meetings during the year included the following:

- funding forecasts were reviewed
- a reward strategy for 2013/14 was approved
- the revised *Statement of investment principles (SIP)* was approved
- a revised risk appetite statement was agreed
- a new banking contract was approved and put in place for the scheme
- Members' Panel appointments and Employers' Panel appointments and a re-appointment were approved.

The Trustee also responded to a number of consultations including the DWP's consultation on Quality Standards in workplace defined contribution pension schemes, the Law Commission's consultation on fiduciary duties and investment, and a consultation from The Pensions Regulator (TPR) and the Institute of Chartered Accountants in England and Wales (ICAEW) on assurance reporting of master trusts.

In July 2013, the government announced that the restrictions on the level of annual contributions that could be made to the NEST scheme would be lifted in 2017. This will enable employers to use the scheme to fulfil their automatic enrolment duties for all of their workers. It will also allow NEST members to top up their contributions to help them meet their aspirations in retirement. The Trustee welcomed this announcement.

A Trustee meeting was held at the Tata Consultancy Services (TCS) offices in Peterborough in October 2013. This gave Trustee Members the opportunity to discuss the administration of the scheme with TCS staff and visit the call centre, which answers questions from NEST scheme employers and members. A number of Trustee Members also visited the TCS offices in Bangalore and Mumbai during the year, helping to develop strong working relationships with our key partner and ensuring an in-depth understanding of scheme administration to ensure effective oversight and governance.

A joint meeting between the Trustee Members and the Employers' and Members' Panels was held in June 2013.

The Trustee held 10 meetings during 2013/14. Attendance at meetings and committee membership is set out in the following table, as well as the details of committee meetings attended by committee members during the year.

Details of meetings attended by committee members during the 2013/14 year:

	Trustee Member meetings	Audit committee	Risk committee	Investment committee	Nominations and governance committee	Remuneration committee
Number of meetings	10	7	6	5	4	6
Lawrence Churchill	10				4	
Iraj Amiri	9	7		5		
Tom Boardman	10	6		5		
Sharon Darcy	10	5*	6	5		
Laurie Edmans	8		5			6
Paul Hewitt	10	7	6			
Chris Hitchen	9			5	4	
Julius Pursaill	10	1#	6	5		
Enid Rowlands	10				4	5
Sue Slipman	10				4	6
Nigel Stanley	9			4		6

**Sharon Darcy joined the audit committee on 25 April 2013.*
#Julius Pursaill stood down as a member of the audit committee in April 2013.

3.5 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. Specifically, during the year the audit committee:

- reviewed the plans of the external auditors for their audits of the accounts and oversaw the delivery of their plans
- approved the internal audit plan for NEST Corporation and oversaw its delivery

- reviewed the annual report and accounts for both NEST Corporation and the NEST scheme and recommended their approval to the Trustee Members
- approved the compliance plan and oversaw its delivery
- reviewed the assurance framework
- reviewed the system of internal controls within NEST Corporation and implemented changes as required
- oversaw the comprehensive review of the internal controls within NEST Corporation, instituted by the committee following the mandate fraud incident at the beginning of 2013
- reviewed the committee's effectiveness in March 2014.

Further information on internal audit and control issues is provided in sections 3.15 to 3.18.

3.6 Investment committee

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. The committee reports to the Trustee.

During the year the investment committee:

- maintained oversight of the investment and risk management of all NEST retirement funds, including the approval of changes in asset allocation as required
- reviewed the dynamic risk management framework
- continued the development and delivery of the responsible investment policies
- gave ongoing consideration to the development of the NEST investment approach
- reviewed the *Statement of investment principles (SIP)*, in consultation with Employers' and Members' Panels
- reviewed NEST's investment beliefs
- reviewed the committee's effectiveness undertaken in November 2013.

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*, available at **nestpensions.org.uk/library**

The day-to-day management of NEST scheme's assets is performed by external fund managers, each of which is authorised and regulated by the Financial Conduct Authority (FCA).

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

The investment committee receives regular reports in order to review and monitor NEST scheme's assets, the fund managers and other third-party providers as well as investment costs.

More on the management of NEST's investment assets is included in the investment report within the *NEST pension scheme annual report and accounts 2013/14* available at **nestpensions.org.uk/library**

3.7 Nominations and governance committee

The nominations and governance committee is responsible for the development and oversight of the governance structure and for making recommendations for appointment to the members of the Employers' and Members' Panels to the Trustee. 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
- approved a core programme of induction training and materials for new Trustee Members
- reviewed governance documentation and approved changes for recommendation to the Trustee
- received a legal overview of the role of the Employers' and Members' Panels to ensure we were making best use of the advice they are required to provide to the Trustee and reviewed their operating procedures
- received and reviewed updates on developments in corporate governance and regulatory requirements such as The Pensions Regulator's *Code of practice no. 13: Governance and administration of occupational defined contribution trust-based pension schemes*
- undertook the recruitment of members for the Members' and Employers' Panels and recommended candidates to the Trustee
- considered the results of its committee effectiveness review.

3.8 Remuneration committee

The remuneration committee provides oversight, review and advice to the Trustee on the approach to corporate responsibility, organisational culture and the 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 remuneration committee:

- considered the results of the 2013 staff survey and advised on the development of engagement initiatives for staff
- received and reviewed HR reporting data including remuneration benchmarking, salary trends, leaving factors, employee demographics, recruitment statistics, absence data and information on learning and development
- provided advice on the development of organisation culture, including the introduction of a new performance management framework, development of management and leadership skills and revisions to staff policies
- approved NEST Corporation seeking accreditation for Investors in People
- reviewed and commented on a learning and development programme including training for managers and underpinned by an increase in the learning and development budget to match that identified by CIPD as appropriate for high-performing organisations
- reviewed the process for and approach to succession planning for the executive team
- supported NEST Corporation obtaining the London Living Wage accreditation, which was secured in March 2014
- considered the performance review for the chief executive officer for 2013/14
- approved a diversity and inclusion policy
- approved an external appointments policy

- approved a corporate responsibility statement and the metrics for assessing NEST Corporation's performance against its stated aims, for recommendation to the Trustee after consultation with the Employers' and Members' Panels
- approved revisions to the gifts and hospitality policy
- agreed the pay award for 2014/15
- considered the results of its committee effectiveness review.

A report on the work sponsored by the committee on corporate responsibility can be found in Appendix 2 and the remuneration report is in section 6.

3.9 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. In the past year the committee:

- provided a review of all aspects of risk management
- provided challenge to the executive team through a series of deep dives into specific areas of operational and strategic risk including the risks of fraud and financial crime and information security
- has overseen and driven continuous improvement of the risk management framework to improve the risk culture of the corporation
- developed a risk appetite statement
- reviewed the policy framework
- discussed with Tata Consultancy Services (TCS) their view of risk in relation to NEST and reviewed the associated risk management arrangements
- reviewed the committee's effectiveness in March 2014.

Further information on risk is provided in section 3.11.

3.10 Employers' Panel and Members' Panel

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

Employers' Panel

The Employers' Panel was set up to provide advice to NEST Corporation on the operation, development or amendment of the scheme from a participating employer's perspective (section 69, Pensions Act 2008 and article 8 of NEST's order). Paul Jagger, MBE was appointed as chair of the Employers' Panel when it was established in 2011. There are currently 10 Panel members.

The Employers' Panel is seen as the first port of call for NEST Corporation when seeking input on the operation, development or amendment of the scheme from a participating employer's perspective. This includes consulting the Panel whenever revisions are proposed to the *Statement of investment principles (SIP)* or to NEST's order and rules. The Employers' Panel engages with the Trustee through the chair of the Panel and through periodic joint meetings of the Trustee and the Employers' and Members' Panels.

The Employers' Panel met six times during the financial year. The Panel has been briefed about various issues, including opting out and keeping records, complaints policy, late payments, propositions, messaging to employers and processes for setting up employers. In addition the Panel has discussed employers' feedback on the NEST pension scheme and research results carried out by NEST Corporation within the employer and financial adviser communities.

The Employers' Panel has been consulted during the year about The Pension Regulator's (TPR) maintaining contributions consultation, the Department for Work and Pensions (DWP) defined ambition paper and NEST's engagement in the debate and revisions to the *SIP* published in April 2014.

The key focus for the next financial year is to increase the Employers' Panel's engagement with NEST scheme employers to better understand their experiences of automatic enrolment and using NEST. This information will be gathered through events run for NEST scheme employers and research opportunities.

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

Members' Panel

The Members' Panel was set up to provide advice to NEST Corporation on the operation, development or amendment of the scheme from participating members' perspectives (section 69, Pensions Act 2008 and article 8 of NEST's order). Museji Ahmed Takolia, CBE was appointed as chair of the Members' Panel when it was established in 2011. There are currently 10 Panel members.

The Members' Panel is seen as the first port of call for NEST Corporation when seeking input on the operation, development or amendment of the scheme from a participating member perspective. This includes consulting the Panel whenever revisions are proposed to the *Statement of investment principles (SIP)* or to NEST's order and rules. The Members' Panel engages with the Trustee through the chair of the Panel and through periodic joint meetings of the Trustee and the Employers' and Members' Panels.

The Panel met six times during the financial year and was consulted on revisions to the *SIP* published in April 2014, the Department for Work and Pensions (DWP) defined ambition paper and NEST's engagement in the debate on this issue, ethical fund investment policy and research results carried out by NEST within the employer and financial adviser communities.

The Panel has been briefed on various issues including member charges, the opt-out process, member communications, complaints monitoring, customer services and researching members' needs.

The Members' Panel submits a separate annual 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/member-panel**

3.11 Principal risks and uncertainties

At any one time NEST Corporation will be managing a number of risks across different business areas. We outline these risk areas and describe our risk appetite towards them in our risk appetite statement below.

Risk appetite

NEST Corporation continues to explore and refine the concept of risk appetite. In 2013/14 we used a new approach to produce our risk appetite statement. Our statement was approved by the Trustee Members in March 2014.

NEST Corporation's risk appetite statement 2013/14

NEST Corporation is a non-departmental public body (NDPB) with the function to act as Trustee of the NEST pension scheme. Some aspects of our operating environment and the implications of our public service obligation are inherently risky, and we act in the interests of our members to manage these risks down to an acceptable level where we're able to do so.

We touch on specific areas of risk in our appetite statement and use descriptive terminology based on industry standards to enable the reader to understand our appetite for different types of risk. We've summarised these terms in the following table.

Terminology	Description
Open	An organisation that's open to exploring opportunities to take some risks in this area
Cautious	An organisation that won't actively seek risks in this area, however it may tolerate some risks where they're outside their control or where the cost of control outweighs the risk
Low	An organisation that looks to actively manage risks in this area down to a low level
Very low	An organisation that has no appetite for risk in this area

We've linked our risk appetite statement to our 2013/14 strategic objectives. We believe our appetite for risk is best described by exploring how we apply resources to manage risks to the delivery of our strategic objectives. Some objectives have higher levels of risk associated with their achievement than others. For that reason the number of risks discussed under each section varies.

Strategic objective – attract sufficient take-up and revenues to give us a clear line of sight to a self-funding business model

The alignment of costs and revenues in terms of timing and amounts will clearly shape our challenge in meeting this objective. We've targeted resources towards reducing the number of high risks within our control that could prevent NEST Corporation from delivering a self-funding business model, in line with our cautious appetite for risk in this area.

NEST's success and that of the wider automatic enrolment programme is linked to the collective appetite of the UK workforce to continue paying into their pension pot after they've been automatically enrolled. If 'opting out' or ceasing contributions after the opt-out period became normal behaviour, the impact on NEST would be significant. We've used initiatives such as the 'tomorrow's worth saving for' campaign to support this risk being managed within our cautious appetite.

Strategic objective – develop and run a high-quality pension scheme that meets the requirements of our customers and our regulatory obligations

As NEST's member volumes grow we need to build capacity into our system to cope with demand. At the same time we need to strengthen our proposition to deal with employers of decreasing size and decreasing pensions expertise, while improving the efficiency of our operational processes.

We've developed practical tools such as our online demonstration videos to enable employers to use NEST with minimal support. Our countdown communication emails help manage risks associated with employers arriving at short notice or being ill-prepared. Despite this there are aspects of these risks that aren't within our control and we have to tolerate some risks at higher levels relative to our appetite.

We've tolerated risks to the efficiency of operational processes caused by known defects, but as the volume of employers that use NEST increases, our appetite for risk in this area remains cautious.

Our relationship with our scheme administrator is important to the continuing development and success of NEST. We dedicate significant resources to this area as we have a low tolerance of risks to our relationship.

Ensuring our members' money and data is kept secure at all times is extremely important to NEST. We have a very low appetite for any risk that could lead to loss of member money, and have controls that minimise the risk of fraud. We have a low appetite for risks to the security of members' data, and have a framework of controls and processes designed to ensure information is handled and stored in a secure way.

As member numbers and assets under management grow, the potential impact of an operational error increases. We have a low appetite for operational risk in this area. Our frameworks and processes are designed to keep the likelihood to a minimum and will evolve alongside the complexity of our approach.

Strategic objective – deliver stable, smooth and sustainable investment returns above inflation after all charges in line with our investment objectives

We accept that there are risks associated with the financial environment in which we operate. For more information about our approach to managing investment risks please refer to the NEST *Statement of investment principles (SIP)*.

Strategic objective – maintain consensus among stakeholders that there's a role for a healthy NEST within the UK pensions market

NEST is a statutory corporation created as an essential part of the automatic enrolment policy. We will continue to ensure we do everything required of us by Parliament and government. As the pensions industry evolves and adapts to automatic enrolment, NEST will continue to engage with DWP, the regulator and other relevant third parties to help ensure the regulatory framework develops in response to the challenges and opportunities created by automatic enrolment. This is in line with our low appetite for risks surrounding a breach of regulatory compliance.

As NEST grows and the market sees what we stand for we want to develop and maintain a reputation as a trustworthy and reliable pensions provider. We recognise that we can't develop this reputation instantly and we have a low appetite for reputational risk.

Strategic objective – develop and maintain a stable and efficient organisation with sufficient skills, knowledge and corporate memory to deliver our other objectives

High quality leadership and management will help guide the evolution of NEST's organisational structure and frameworks to complement our 'business as usual,' and manage the risks associated with this change. We use mechanisms such as policy reviews, internal audits and our staff engagement survey to identify ways in which we can address risks in this area to keep them within our cautious risk appetite.

We drive compliance with our frameworks and processes through staff engagement as we see this as fundamental to good management and the management of risk. Our code of conduct and behavioural competencies help underpin the development of a culture in NEST Corporation which plays a critical contribution in supporting a cautious risk appetite.

3.12 Information security and data management

NEST Corporation is committed to supporting a secure electronic environment to conduct its business and has established and maintained a comprehensive information security management system (ISMS) that is certified against the International Organisation for Standardisation (ISO) 27001:2005. NEST Corporation has also maintained a data protection policy, which sets out our approach to the protection of personal data and associated training. The policy is designed to comply with the Data Protection Act 1998 and other regulations for the purpose of ensuring the security and use of personal data.

As a non-departmental public body (NDPB), NEST Corporation is required to provide information on our management of information risk and compliance to the DWP's Information Security and Assurance Report for the DWP Senior Information Risk Owner and into the Security Risk Management Overview for Cabinet Office.

During 2013/14 there was no reportable loss or compromise of personal data.

3.13 Business continuity

NEST Corporation maintains a cost-effective business continuity capability that enables management to respond to and recover from major incidents that affect business operations. Our business continuity management programme is appropriate to the size and complexity of NEST Corporation and is aligned with industry standards and integrated with the risk management framework. Business continuity arrangements are exercised, reviewed and renewed as appropriate. A training and awareness programme ensures staff and key service providers are informed of procedures and their responsibilities within them while helping to embed business continuity into NEST Corporation's culture.

3.14 Compliance

The compliance monitoring and assurance team (CMA) is responsible for monitoring compliance with internal, statutory and regulatory requirements for pension schemes. This includes coordinating and managing NEST Corporation's regulatory relationship with The Pensions Regulator (TPR).

The CMA has also developed arrangements with key suppliers, such as the scheme and fund administrators, to ensure that they are able to provide sufficient assurance to NEST Corporation that those providers have a compliance framework in place that allows NEST Corporation, through its outsourced partners, to comply with regulatory requirements for pension schemes.

The CMA operates against an annual compliance plan that is agreed with the audit committee. Key activities include provision of compliance assurance statements to meet regulatory requirements, the performance of an annual compliance monitoring programme to evidence ongoing compliance and responsibility for all regulatory reporting to TPR.

General counsel retains responsibility for ensuring that all customer-facing material, such as employer and scheme member documentation and the external NEST website, is compliant with legislative and regulatory requirements. It also acts as a source of advice to operational areas on legislative regulatory issues.

TPR's approach to the regulation of workplace defined contribution (DC) pension schemes was clarified this year with the issue of their *Code of practice no.13: Governance and administration of occupational defined contribution trust-based schemes*. The CMA is currently undertaking a full analysis of the requirements of this code of practice and the effect on the operation of the scheme. The CMA is also monitoring the evolution of a separate independent assurance framework for master trusts, currently being developed by TPR and the Institute of Chartered Accountants in England and Wales (ICAEW), having responded to an initial consultation on the proposals in December 2013.

Following work by TPR on the revision of the approach to management and enforcement of the employer compliance regime, TPR has issued a strategy for regulating DC pension schemes, and a compliance and enforcement policy for these schemes. NEST Corporation welcomes these developments, the embedding of the six key standards of practice underpinned by the DC quality features, driving good outcomes for members and the renewed focus on key risk areas for provision of DC pensions in the automatic enrolment environment.

3.15 Internal audit

Internal audit services are provided by Deloitte, which is responsible for the provision of independent control assurance to NEST Corporation and reports to the audit committee. Deloitte also provides an annual opinion on governance, risk management and internal control, required to fulfil NEST Corporation's obligations as an NDPB.

Deloitte agrees its annual internal audit programme with NEST Corporation's audit committee and reports on progress against the plan on a quarterly basis. The programme covers NEST Corporation as both an NDPB and the Trustee of an occupational pension scheme.

3.16 Head of internal audit opinion

In the opinion of the head of internal audit at NEST, there is reasonable assurance NEST has adequate and effective systems of governance, risk management and, except for the weaknesses identified by our Internal Control Review which management have worked to address, internal control.

During the year ended 31 March 2014 internal audit undertook an audit of certain internal controls operated by NEST Corporation (the Internal Control Review or ICR). The focus of the recommendations was with regard to finance, HR (including payroll) and IT. Subsequent follow-up audit procedures confirmed that the majority of these issues are either substantially complete or there are mitigating controls established to address the risks identified. The remaining issues relate to upgrades to NEST's finance system (with regard to fixed asset accounting and system based workflows) and key man dependency with regard to payroll.

3.17 Management assurance statement from senior management

The compliance, monitoring and assurance team operates a framework to address compliance with pensions law and regulation. These are complemented by the assurance processes completed by senior management and policy owners in relation to internal controls.

Each year, members of the executive team provide a personal assurance statement to the CEO in relation to risk, governance and controls within their area of responsibility. Additionally, the introduction this year of a key policy process requires policy owners to provide attestation concerning regulatory requirements, compliance obligations, monitoring processes and the management of key risks addressed in their policies. The statements also highlight any significant internal control issues.

3.18 Significant control issues

We reported last year that there had been an incident of mandate fraud directed against NEST Corporation resulting in the loss of £1.4 million from our operating budget. During 2013/14 we have made appropriate attempts to reduce this loss and as a result received £0.3 million in May 2014. We judge there to be no realistic prospect of further monies being received.

We reported last year on the wider programme of work that had commenced following the discovery of the mandate fraud to further improve NEST Corporation's people and internal control processes. This included a Deloitte-led assessment of the design and operating effectiveness of key internal controls across NEST Corporation leading to the design of a series of improvements. The vast majority of these have been implemented with the remainder planned for 2014/15. The work included essential systems being upgraded and increased resources for key control processes. A new in-house team has been established to target financial crime prevention. This programme of work is nearing completion.

The audit committee has maintained oversight of this programme throughout.

Plans are in place to ensure that controls are reviewed regularly to provide assurance that standards are maintained and are fit for purpose.

There are no significant internal control issues that merit inclusion in the annual report and accounts for the reporting period 1 April 2013 to 31 March 2014. To evidence this, the Trustee Members and NEST Corporation's executive team have been engaged and appropriate additional enquiries made. Where control weaknesses are identified, appropriate actions are taken or planned to effect reasonable management of risks within acceptable periods of time.

Tim Jones
Chief executive and
accounting officer
NEST Corporation

27 June 2014

Lawrence Churchill

Lawrence Churchill CBE
Chair
NEST Corporation

27 June 2014

04 Chief executive's report

Over the last year, NEST has grown rapidly. Over the course of 2013/14 we've increased from 347 employers, 80,406 members and £3.8 million assets under management to 4,692 employers, over one million members and £104 million assets under management. Tata Consultancy Services (TCS), our scheme administrator, now processes more than a million contributions every week to help these employers meet their automatic enrolment duties and to help our members grow their retirement savings.

We're looking forward to welcoming many more employers and members in 2014/15. To help us meet their needs, we're continuing to adapt our proposition and have successfully delivered two major updates to our functionality this year.

As everyone in the pensions world recognises, tens of thousands of employers come under the duties in 2014/15. NEST stands ready to continue working alongside the private sector to ensure all employers are well served by the pensions industry. Our public service obligation means we're open to any employer that wants to use NEST to meet their duties, and we expect to help many thousands of employers over the busy summer 2014 period.

While that represents a testing set of issues, we've worked hard to rise to the challenges and we've managed to increase capacity at NEST while keeping our costs low. We've also been working closely with the provider community and intermediaries to deliver the services the market demands. As NEST is an online pension scheme we continue to enhance our website, and over the course of the year this included the introduction of a dedicated help centre for employers and their advisers. Working closely with TCS we also introduced a live webchat service for employers and expanded our contact centre to help meet anticipated demand.

Many employers will want to work with financial advisers and other intermediaries to help set up or run their automatic enrolment processes. We're committed to helping equip intermediaries to meet this challenge, in particular through a programme of training in how to use NEST's 'delegated access' functionality. We're planning to ramp up this activity next year and to invest further in our delegated access functionality in our spring 2015 system release.

We've done a lot to prepare for the next stages in the rollout of automatic enrolment. However we know there's more to do. There are exciting times ahead and we'll need the support of the payroll and intermediary communities in order to deliver for all of our customers.

As we grow we remain committed to sharing our experience and learning with the rest of the pensions community. We hosted another *NEST insight* event in January, highlighting key findings from the first year of automatic enrolment. Last summer we brought together academics from around the world to contribute to *NEST Forum*, which addressed the challenge of how we can help people make better decisions as they approach retirement. It's great to see our work is recognised both in the UK and internationally. The last year has seen us collect awards that recognise our efforts in investment, risk management, innovation in automatic enrolment and communications.

We're pleased with the low opt-out rates within NEST – our current average rate is about eight per cent, although that varies by age group. The challenge for NEST Corporation will be to build engagement over the long term with our members to make sure all age groups understand the benefits a workplace pension can bring.

The vast majority of our members are invested in one of our NEST Retirement Date Funds, which carefully manage members' risk while looking to achieve strong investment returns. This year we further developed our ability to access specific asset classes through the addition of a direct UK commercial property fund and listed global real estate fund. As a result we now have 10 building block funds we can use to construct the NEST retirement funds, compared to five when we started in 2011. This expansion enables us to give members access to a broader set of risk premia.

Following the March 2014 Budget announcement about proposed changes to how retirement income will work, we're giving careful consideration to how we respond. We want our members to be able to access their retirement pots in ways that help them meet their aspirations and provide the flexibility they need in later life. Changes to the ways in which members want to access their pension savings and what they are allowed to do with them are likely to influence how we manage their risks and invest their money. It will also affect what help and guidance we provide to members about the choices they need to make.

For the NEST Retirement Date Funds, our Foundation and Growth phases are likely to remain unchanged by the recent announcements. However, we will be reviewing our approaches in the Consolidation phase to ensure how we manage members' money in that phase best matches a member's planned method of taking retirement benefits.

Given the significance of the new freedoms laid out in the Budget for the way members access their retirement pots, NEST plans to conduct our own consultation later in the year regarding how these changes will affect the scheme.

The year also saw us move to a new location, Riverside House, as the lease on our previous office expired. I'm glad to say that a smooth move ensured there was no interruption to the service we offered to our customers.

As in 2013/2014, the year ahead will be exciting and also pose significant challenges. I'm looking forward to tackling them with an excellent team of hardworking staff and delivery partners. With this unique team we will continue to do the best job we can with and for our members, employers, intermediary partners and stakeholders.

Tim Jones
Chief executive and accounting officer
NEST Corporation

27 June 2014

05 Strategic report

This report has been prepared in accordance with chapter 4A of part 15 of the Companies Act 2006 as interpreted for the public sector context.

5.1 Executive team

The chief executive officer (CEO) receives his powers through a schedule of delegations from the Trustee. In turn, the CEO 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 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 development of the scheme.

Alongside the scheme steering group is 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 CEO uses regular executive team meetings to communicate key issues and provide a discussion forum for issues that benefit from input from all executive team members. In addition, a fortnightly corporate management group meeting is held which includes all executive team members and a fortnightly strategy management meeting is held with a subset of the executive team. The CEO chairs both the corporate management group meeting and the strategy management group meeting.

NEST Corporation: executive team	Position
Tim Jones	Chief executive officer
Dan Davis	Executive director, risk
Helen Dean	Executive director, product and marketing
Mark Fawcett	Executive director, investments and member proposition
Paul Greening	Finance director (until 31 December 2013)
Morne Van Den Berg	Interim finance director (from 1 November 2013)
Richard Lockwood	Executive director, finance (from 24 March 2014)
Debbie Gupta	Executive director, corporate services
Will Sandbrook	Executive director, strategy
Nick Sex	Executive director, change programmes and service management
Fiona Smith	Executive director, general counsel
John Taylor	Managing director, customer and proposition (until 16 May 2014)

5.2 Statutory background

The financial statements for 2013/14 for NEST Corporation are prepared in accordance with the requirements of schedule 1, part 3, paragraph 20 to the Pensions Act 2008, and in the form set out in the Accounts Direction issued by the Secretary of State for Work and Pensions. The Accounts Direction is presented in Appendix 1.

5.3 Principal activities

2013/14 was a year of transformation for NEST. We've moved from being a small-scale pension provider with 80,000 members in March 2013 to a major player in the UK pensions market with over one million members at the end of March 2014.

During the year a significant number of large businesses started using NEST. These included employers with nationally recognised brand names and tens of thousands of workers. Our focus has since moved to the challenge of enrolling far larger numbers of smaller employers. We now have 4,692 employers who have registered to use NEST for all, or part, of their automatic enrolment needs. We've continued to make the scheme more robust and scalable through a series of enhancements to remove defects and improve functionality in our online services.

As at the end of March 2014 we had £104 million of members' assets under management, which is largely invested in the default target date funds. We've continued to evolve our investment proposition, adding commercial property and global listed real estate shares to our pool of underlying funds.

Our move to new offices in Riverside House was completed in December 2013. We've continued to devote management time to the health of the organisation, developing the corporate culture and the engaged workforce that we need to succeed. Alongside this we have strengthened our internal controls framework, including an emphasis on developing and supporting the frontline staff in safeguarding the interests of our members.

5.4 Business review

This section sets out the key highlights of our delivery over the year in terms of the business objectives set out in our 2013 to 2016 corporate plan.

Strategic Objectives	Business objectives	Key performance indicators (KPIs)	Results
Deliver and run a high-quality pension scheme that meets the requirements of our customers and our regulatory obligations	Maintain a compliant scheme that meets the needs of those employers already using NEST and those who may use NEST in the future	Deliver a package of changes by the end of March 2014 that enables us to: • remain compliant with all regulatory changes • maintain operational viability • anticipate and respond to the increase in volumes of employers using the scheme	• We've made two major improvements to our online services, including propositional and operational enhancements • We've made some smaller improvements to our online services, focused on problem solving within the scheme and enabling changes to our banking services • We've increased our contact centre capacity and launched a web chat service
	To ensure the scheme's infrastructure and support services are correctly scaled throughout the period so that there's no deterioration in the operation of the scheme or negative impact on our members or employers	• Maintain availability of web and interactive voice response (IVR) services 24 hours a day, 365 days a year, except during planned maintenance • Maintain contact centre availability in line with advertised hours • Answer calls to the contract centre within 60 seconds, and five seconds for the IVR system • Acknowledge all complaints in writing within five working days and respond within eight weeks • Continue to develop our customer experience research as we reach scale, enabling us to track and respond to trends in member and employer satisfaction with NEST	• Contact centre and website availability have been maintained at very high levels • We've been overwhelmingly compliant with our targets • We've continued to build a framework for measuring and understanding our customer experience
Attract sufficient take-up and revenues to give us a clear line of sight to a self-funding business model	Deliver scale into the scheme that's consistent with our longer-term business model	• Successfully operate an installation management process that deals with the largest employers wanting to use NEST • Have 500,000 contributing members by the end of March 2014 • Have built distribution relationships with providers, financial advisers and a range of other intermediaries that medium and smaller employers will use to help them meet their employer duties	• We've set up 4,692 employers from scheme launch to the end of this financial year • As at 31 March 2014 we had 685,000 members contributing to their pension pot • We've developed a sophisticated intermediary proposition. We've held NEST Live intermediary events across the country as well as delegated super user events and webinars. We continue to work with payroll software providers to aid integration of NEST automatic enrolment into their products

Strategic Objectives	Business objectives	Key performance indicators (KPIs)	Results
Deliver stable, smooth and sustainable investment returns above inflation after all charges in line with our investment objectives	Invest members' savings in line with our investment strategy	• Invest all NEST retirement funds according to their risk budgets • Ensure fund managers perform in accordance with the mandates set for them • Ensure the NEST Ethical Fund and NEST Sharia Fund remain invested in accordance with our policies for ethical and sharia investing • Ensure our responsible investment policy is applied effectively and proportionately	• We've remained compliant with our investment policies approach which we believe will deliver our long-term investment strategic objectives
Maintain consensus among stakeholders that there's a role for a healthy and vibrant NEST within the UK pensions market	Build on NEST's reputation as an evidence-based contributor to the conversation with stakeholders and policy makers on the delivery of good quality pensions	• Continue to engage openly and constructively with stakeholders from across the industry • Continue with our commitment to sharing our research and insight into automatic enrolment and its effects on workers and employers, in particular through the annual *NEST Forum* and *NEST insight* events	• NEST has continued to work constructively with government, including responding to the DWP consultations on quality standards for defined contribution (DC) schemes, and also reshaping workplace pensions for future generations. We've also engaged with other stakeholders including the Office of Fair Trading on their Workplace Pensions Market study • NEST has engaged regularly on a one-to-one basis with a variety of stakeholders including providers and their representative bodies, employer bodies, consumer bodies, Westminster representatives and Whitehall departments to share research and update on NEST's progress • *NEST insight*, our annual overview of the automatic enrolment landscape, was published in January 2014
Develop and maintain a stable and efficient organisation with sufficient skills, knowledge and corporate memory to deliver our other objectives	Create a high-achieving organisation by nurturing a highly engaged workforce and developing our people	• Ensure that NEST people are provided with the facilities, IT and other logistical support to enable them to deliver our business objectives, and to ensure that this service is not compromised as NEST implements its location strategy • Deliver a high-quality core service including HR, finance, procurement and corporate secretariat that meets the needs of our people and enables us to meet our business objectives • Continue the implementation of our employee engagement action plan	• We successfully completed our move to Riverside House • We began to implement a major programme of internal audit and review to substantially strengthen our controls and processes • We've achieved increases in our employee engagement between our June and December 2013 surveys. We believe this is partly due to the strengthening of our leadership capability and our activities to improve employee engagement

Strategy for the future

During the winter of 2013/14 our executive team and board of Trustees spent time working together to debate and define the strategy we need to position ourselves for long-term success. It was agreed to re-evaluate our priorities to reflect our increase in scale and the ways in which our operating environment has evolved.

As set out in more detail in our *Corporate plan 2014-2017*, over the remainder of staging our focus will be to:

- develop scalable, efficient and secure operations supported by a product which enables employers to get it right. This enables us to safely manage peaks of demand and to minimise the costs of business-as-usual operations
- build an organisation which is culturally fit for the challenge of delivering the NEST scheme
- maintain the ongoing functions of a leading pensions business
- prepare for the challenges and opportunities of 2017.

The NEST *Corporate plan 2014-2017* is available online at **nestpensions.org.uk/library**

External factors that may influence the performance of the business, and NEST Corporation's responses to those factors, are explained in section 3.11 – Principal risks and uncertainties.

Going concern

NEST Corporation is funded by:

- income from member charges – a 1.8 per cent charge on contributions and a 0.3 per cent annual management charge on assets invested
- loan funding from the Department for Work and Pensions (DWP) – see note 12 of the financial statements
- grant income from DWP which effectively reduces the interest paid on the loan from a commercial rate to a government rate – see note 4 of the financial statements
- grant income from DWP to meet those costs that are non-chargeable to members, that is the costs of being a non-departmental public body.

For the early years of the scheme, income from members will be relatively small in relation to other sources of funding. As such, NEST Corporation is dependent on funding from DWP. We have confirmed with DWP that they will provide funding to enable us to adopt the going concern basis for accounting in preparing these financial statements.

Financial performance

In 2013/14 revenues from member charges have increased from £61,000 to £1.9 million and net expenditure after interest from £61.0 million to £72.6 million. This increase is in line with expectations driven by the general growth in the scheme. Around 86 per cent of the increase in net expenditure relates to payments made to Tata Consultancy Services (TCS), our third-party scheme administrator, resulting directly from increased volume and improvements in functionality. The remainder is due to increases in the staffing and operational costs of NEST Corporation. This includes additional resources to implement functionality updates, significant control and culture improvements, relocating office premises and increased depreciation costs.

In line with the requirements of International Financial Reporting Standards, we continue to recognise in our Statement of Financial Position certain assets used by TCS for scheme administration. The net book value of our non-current assets as at the end of March was £62.8 million, of which 96 per cent relates to scheme administration-related assets.

5.5 Key business relationships

NEST Corporation operates a predominantly outsourced business model and as such has a number of key business relationships. These include Tata Consultancy Services (TCS), who administer the scheme, and State Street, who provide fund administration services. We've worked in partnership with both suppliers throughout the year to ensure that the scheme operates effectively.

5.6 Corporate responsibility

Details of our programme of work relating to corporate responsibility, environmental, social and community matters are set out in Appendix 2.

5.7 Workforce analysis

As at 31 March 2014 NEST Corporation had 243 employees of which 10 were executive team members and 11 were Trustee Members.

Details of staff sickness and employee-related information can be found in Appendix 2.

5.8 Pension liabilities

A description of the pension arrangement for NEST Corporation staff is given in the remuneration report in section 6 and the accounting treatment is described in accounting policy notes 1.9 and 2.b to the financial statements.

5.9 Statutory auditors

The Comptroller and Auditor General is the statutorily appointed auditor for NEST Corporation under the provisions of schedule 1, part 3, paragraph 20 to the Pensions Act 2008. The cost for the work performed by the auditors for the year ended 31 March 2014 is £82,000 (2012/13: £82,000).

So far as the accounting officer is aware, there is no relevant audit information of which the entity's auditor is unaware. The accounting officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that NEST Corporation's auditors are aware of that information.

During the year NEST Corporation did not make any payments to their auditors for non-audit work.

5.10 Political and charitable donations

NEST Corporation made no political or charitable donations in the year.

5.11 Payments to suppliers

In accordance with HM Treasury's publication *Managing Public Money*, NEST Corporation aims to comply with the British Standard for achieving good payment performance in commercial transactions and with the Late Payment of Commercial Debts (Interest) Act 1998, as amended. We aim to pay all undisputed invoices within 30 days of receipt (or other terms as may be applicable).

It is NEST Corporation practice to:

- settle the terms of the payments with suppliers when agreeing the terms of each transaction and pay bills in accordance with the contract
- ensure that suppliers are made aware of the terms of payment.

During 2013/14 the average time taken to pay suppliers was 31 days (2012/13: 22 days). The increase is due in part to the introduction of more robust payment control processes and stricter adherence to supplier payment terms.

The value of debt owing to suppliers at 31 March 2013 amounted to 17 days' invoices (31 March 2013: 6 days), of which 15 days relate to the TCS service charge invoice.

5.12 Events after the reporting date

In May 2014 NEST Corporation received an amount of £0.3 million associated with the incident of mandate fraud as reported in the 2012/13 annual report and accounts. This amount has been included as a post-balance sheet adjusting entry.

There were no other significant events after the reporting date.

Tim Jones
Chief executive and accounting officer
NEST Corporation

27 June 2014

06 Remuneration report

This report has been prepared in accordance with chapter 6 of the Companies Act 2006 and schedule 8 of SI 2008 No. 410 as interpreted for the public sector context.

These disclosures relate to NEST Corporation Trustee Members and the chief executive officer (CEO), these being the only individuals that make decisions spanning the entire organisation.

Lawrence Churchill was appointed Chair of NEST Corporation by the Secretary of State for Work and Pensions. Under his Terms of Appointment he is required to commit to 2.5 days a week. All other NEST Corporation Trustee Members are required to commit to 30 days a year. Trustee Members were appointed by the Secretary of State for a period of either four or five years. In accordance with paragraph 7 to schedule 1 of the Pensions Act 2008, the remuneration of Trustee Members is determined by the Secretary of State. The Terms of Appointment allow for extra days to be remunerated on a pro rata basis.

Up to 31 March 2014 NEST Corporation's remuneration committee was made up of four Trustee Members: Sue Slipman (chair), Laurie Edmans, Enid Rowlands and Nigel Stanley. It provided oversight, review and advice to the Trustee Members on remuneration of senior executives and staff. A report on the activities of the committee can be found in section 3.8.

NEST Corporation's remuneration approach applies to all directly employed staff and consists of:

- eligibility to be considered for a non-consolidated annual performance-related pay award
- automatic enrolment for eligible workers into the NEST Corporation defined contribution pension arrangements
- 25 days paid holiday per annum rising by length of service
- critical illness cover
- death in service life cover of three times salary.

6.1 Remuneration

The information in the table below has been audited.

Name and Position	Contract details: Contract start date	Unexpired term as at 31 March 2014	Notice period	2013/14: Full-year equivalent salary and allowances (£000)	Salary and allowances paid (£000)	Performance related payments (£000)[3]	Taxable expenses (to nearest £100)[4]	Total (£000)	2012/13: Full-year equivalent salary and allowances (£000)	Salary and allowances paid (£000)	Performance related payments (£000)[2]	Taxable expenses (to nearest £100)	Total (£000)
Lawrence Churchill Chair	1 February 2010	10 months	3 months	95-100	95-100		21,900	115-120	95-100	95-100		18,300	115-120
Paul Hewitt Trustee Member	1 April 2010	0	3 months	20-25	20-25		2,100	20-25	20-25	20-25		4,600	20-25
Sue Slipman Trustee Member	1 April 2010	1 years	3 months	20-25	20-25		0	20-25	20-25	25-30		0	25-30
Laurie Edmans Trustee Member	1 April 2010	0	3 months	20-25	20-25		0	20-25	20-25	20-25		0	20-25
Julius Pursaill Trustee Member	1 April 2010	0	3 months	20-25	20-25		1,900	25-30	20-25	20-25		1,800	25-30
Tom Boardman Trustee Member	1 April 2010	1 years	3 months	20-25	25-30		600	25-30	20-25	25-30		600	25-30
Chris Hitchen Trustee Member	1 April 2010	1 years	3 months	20-25	20-25		0	20-25	20-25	20-25		300	20-25
Enid Rowlands Trustee Member	11 July 2011	2 years	3 months	20-25	20-25		3,000	20-25	20-25	20-25		2,000	20-25
Sharon Darcy Trustee Member	20 June 2011	2 years	3 months	20-25	20-25		0	20-25	20-25	20-25		0	20-25
Nigel Stanley Trustee Member	20 June 2011	2 years	3 months	20-25	20-25		0	20-25	20-25	20-25		0	20-25
Iraj Amiri Trustee Member	20 June 2011	2 years	3 months	20-25	20-25		5,500	25-30	20-25	20-25		2,700	20-25
Tim Jones[2] Chief executive	7 January 2014	Permanent contract	6 months	230-235	230-235	80-85	0	310-315	230-235	230-235	15-20	0	245-250
Midpoint of banding of highest paid director's total remuneration (£)						232,500					232,500		
Median total remuneration (£)						56,000					52,250		
Ratio						4.2					4.4		

Notes

1. Trustee Members terms of engagement allows them to claim for time in excess of their contractual obligation.
2. The performance related payment for Tim Jones in the 2012/13 column was paid in 2012/13 but related to the 2011/12 performance year. Tim Jones did not recieve a performance related payment in relation to the 2012/13 performance year. In 2013/14 Tim Jones was paid a terminal bonus of £81k at the end of his fixed term contract. This compares to a contractual maximum of £115k with £70k having been accrued between 2007 and end March 2012. There was no addition to the terminal bonus in relation to 2012/13 and £11.5k was awared in relation to the 2013/14 performance year making the total payment £81k. Performance related pay for 2013/14 is not included as this has yet to be decided.
3. The Trustee Members do not receive any performance-related payments.
4. Taxable expenses relate to travel and subsistence.

6.2 Performance-related pay

The Trustee approved NEST Corporation's performance-based approach to reward – we recognise those who perform well and contribute more.

For consolidated pay awards, we used 1 per cent of our overall salary bill to provide consolidated pay awards to our staff on a performance-related basis.

For non-consolidated pay, we allocated 2.2 per cent of our overall salary bill to provide non-consolidated awards to our highest performers. The Committee also applied additional caps in line with DWP's approach to senior civil service pay bands or equivalents.

6.3 Compensation

There have been no compensation payments made in respect of early contract termination or loss of office to any former senior managers of NEST Corporation.

6.4 Internal comparisons

The ratio between the median remuneration of NEST Corporation's staff and that of the chief executive officer, being the highest paid director, is 4.2 to 1 for 2013/14 (2012/13: 4.4 to 1). For this comparison, total remuneration includes salary, benefits in kind as well as severance payments. It does not include employer pension contributions or the cash equivalent transfer value of pensions. As decisions on performance-related pay have not yet been made for 2013/14, no amount for this has been included in the remuneration figures for the highest paid director. The figures for 2012/13 include performance-related pay in respect of 2011/12.

6.5 Pension

NEST Corporation brought forward its automatic enrolment staging date to 1 October 2012 and therefore automatically enrolled eligible staff into its defined contribution (DC) pension arrangements from that date.

NEST Corporation's active DC pension arrangements comprise two schemes:

- NEST pension scheme
- top-up arrangements with Aviva for employees contributing above the NEST annual contribution cap.

NEST Corporation achieved the Pension Quality Mark (PQM) Plus Standard in March 2014. This means that NEST Corporation offers increased employer contributions for increased employee contributions.

Employees can increase their contributions as follows:

- Six per cent gross employee contribution – NEST Corporation matches with nine per cent employer contribution
- Seven per cent gross employee contribution – NEST Corporation matches with ten per cent employer contribution.

Our default contribution levels are five per cent gross employee contributions with NEST Corporation paying an eight per cent employer contribution.

None of the individuals included in these remuneration disclosures are or have been members of the NEST Corporation pension scheme.

Tim Jones
Chief executive and accounting officer
NEST Corporation

27 June 2014

Sue Slipman
Chair, remuneration committee

27 June 2014

07 Statement of accounting officer's responsibilities

Under schedule 1, part 3, paragraph 20 to the Pensions Act 2008, the Secretary of State has directed NEST Corporation to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The Accounts Direction requires that the accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of NEST Corporation and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the accounting officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis.

The principal accounting officer for the Department for Work and Pensions has designated the chief executive officer as accounting officer of NEST Corporation. The responsibilities of an accounting officer, including responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable, for keeping proper records and for safeguarding NEST Corporation's assets, are set out in *Managing Public Money*, published by HM Treasury.

Tim Jones
Chief executive and accounting officer
NEST Corporation

27 June 2014

08 The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the National Employment Savings Trust Corporation for the year ended 31 March 2014 under the Pensions Act 2008. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Corporation, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Corporation and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Pensions Act 2008. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Employment Savings Trust Corporation's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Employment Savings Trust Corporation; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the National Employment Savings Trust Corporation's affairs as at 31 March 2014 and of the net expenditure after interest for the year then ended; and
- the financial statements have been properly prepared in accordance with the Pensions Act 2008 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Pensions Act 2008; and
- the information given in the Trustee Members' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse **3 July 2014**
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

09 NEST Corporation 2013/14 financial statements

National Employment Savings Trust Corporation Statement of Comprehensive Net Expenditure

for the year ended 31 March 2014

	Note	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Expenditure			
Staff costs	2a	22,645	20,956
Depreciation and amortisation	3	11,544	10,146
Other expenditure	3	33,418	24,888
		67,607	**55,990**
Income			
Grant income	4	(10,245)	(7,944)
Other income	5	(1,957)	(76)
Net expenditure		**55,405**	**47,970**
Interest payable	6	17,145	13,080
Net expenditure after interest deducted from general reserve		**72,550**	**61,050**
Other comprehensive expenditure			
Net loss on revaluation of non-current intangible assets		4,271	(5,142)
Total comprehensive expenditure for the year		**76,821**	**55,908**

All income and expenditure is derived from continuing operations.

The accounting policies and notes on pages 61 to 90 form part of these financial statements.

National Employment Savings Trust Corporation Statement of Financial Position

as at 31 March 2014

	Note	31 March 2014 £000	31 March 2013 £000
Non-current assets			
Property, plant and equipment	7	10,222	11,497
Intangible assets	8	43,493	50,213
Prepayments amounts falling due over one year	9a	9,071	5,873
Total non-current assets		**62,786**	**67,583**
Current assets			
Trade and other receivables	9b	14,802	8,372
Other current assets	9c	77	75
Cash and cash equivalents	10	7,251	17,763
Total current assets		**22,130**	**26,210**
Total assets		**84,916**	**93,793**
Current liabilities			
Trade and other payables	11a	(18,436)	(11,884)
Other liabilities	11b	(12,990)	(8,650)
Provisions for liabilities and charges	13	(800)	(781)
Total current liabilities		**(32,226)**	**(21,315)**
Non-current assets plus net current assets		**52,690**	**72,478**
Non-current liabilities			
DWP loan	12	(299,317)	(239,317)
Other liabilities	12	(7,809)	(11,167)
Provisions for liabilities and charges	13	(77)	–
Total non-current liabilities		**(307,203)**	**(250,484)**
Assets less liabilities		**(254,513)**	**(178,006)**
Taxpayers' equity			
General reserve		(255,711)	(183,161)
Revaluation reserve		871	5,142
Lease incentive reserve		327	13
Total taxpayers' equity		**(254,513)**	**(178,006)**

The financial statements, including the accounting policies and notes, on pages 61 to 90 were approved by the Trustee on 27 June 2014 and were signed on its behalf by Tim Jones.

Tim Jones
Accounting officer
27 June 2014

The accounting policies and notes on pages 61 to 90 form part of these financial statements.

National Employment Savings Trust Corporation Statement of Cash Flows

for the year ended 31 March 2014

	Note	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Cash flows from operating activities			
Net expenditure after interest		(72,550)	(61,050)
Adjustment for non-cash items	21	7,775	6,307
(Increase) in trade and other receivables		(1,356)	(2,295)
Increase in trade and other payables		6,419	3,575
Increase/(decrease) in provisions	13	96	(16)
Net cash outflow from operating activities		**(59,616)**	**(53,479)**
Cash flows from investing activities			
Purchase of property, plant and equipment and of intangible assets	21	(1,799)	(695)
Advance payments	21	(9,097)	(10,843)
Net cash outflow from investing activities		**(10,896)**	**(11,538)**
Cash flows from financing activities			
Loan received from parent department	12	60,000	68,300
Loan repaid to parent department		–	(111)
Net cash inflow from financing activities		**60,000**	**68,189**
Net (decrease)/ increase in cash and cash equivalents in the period	10	(10,512)	3,172
Cash and cash equivalents at the beginning of the period	10	17,763	14,591
Cash and cash equivalents at the end of the year		**7,251**	**17,763**

The accounting policies and notes on pages 61 to 90 form part of these financial statements.

National Employment Savings Trust Corporation Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2014

	Note	Lease Incentive reserve £000	Revaluation reserve £000	General fund £000	Total reserves £000
Balance at 1 April 2012		**33**	**–**	**(122,111)**	**(122,078)**
Changes in taxpayers' equity 2012/13					
Release of reserves to the Statement of Comprehensive Net Expenditure	3	(20)	–	–	(20)
Net gain on revaluation of non-current intangible assets	8	–	5,142	–	5,142
Net expenditure after interest		–	–	(61,050)	(61,050)
Total changes for 2012/13		**(20)**	**5,142**	**(61,050)**	**(55,928)**
Total taxpayers' equity as at 31 March 2012		**13**	**5,142**	**(183,161)**	**(178,006)**
Changes in taxpayers' equity 2013/14					
Recognition of lease incentive reserve		356	–	–	356
Release of reserves to the Statement of Comprehensive Net Expenditure	3	(42)	–	–	(42)
Net loss on revaluation of non-current intangible assets	8	–	(4,271)	–	(4,271)
Net expenditure after interest		–	–	(72,550)	(72,550)
Total charges for 2013/14		**314**	**(4,271)**	**(72,550)**	**(76,507)**
Total taxpayers' equity as at 31 March 2014		**327**	**871**	**(255,711)**	**(254,513)**

The accounting policies and notes on pages 61 to 90 form part of these financial statements.

Notes to the financial statements

1 Statement of accounting policies

1.1 Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with the 2013/14 *Government Financial Reporting Manual (*the *FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of NEST Corporation for the purpose of giving a true and fair view has been selected. The particular policies adopted by NEST Corporation are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

All amounts included in these financial statements are in pounds sterling and have been rounded to the nearest £1,000 unless stated otherwise.

NEST Corporation is required, under the Pensions Act 2008, to prepare its financial statements for the period from 1 April 2013 to 31 March 2014, in accordance with the directions made by the Secretary of State with the consent of HM Treasury. The Secretary of State has required NEST Corporation to comply with the requirements of the *FReM*.

These financial statements relate to NEST Corporation, the Trustee of NEST, and are not the financial statements of the NEST pension scheme which launched in July 2011, and are included in a seperate set of financial statements.

1.2 Going concern

The financing of NEST Corporation is met primarily through a combination of loan and grant income funding supplied through the Department for Work and Pensions (DWP), which is approved annually by Parliament. In November 2010 NEST Corporation signed a loan agreement with DWP that provides assurance that future funding will be provided to NEST Corporation until income from scheme charges is sufficient to meet future costs and settle the loan liability. Consequently, the going concern basis has been adopted for the preparation of these financial statements.

1.3 Changes in accounting policy and disclosures

a) Changes in accounting policies

There has been no change in accounting policies.

b) New and amended standards adopted

There are no International Financial Reporting Standards (IFRS) or International Financial Reporting Interpretations Committee (IFRIC) interpretations that are effective for the first time for the financial year beginning on or after 1 April 2013 that have a material impact on the financial statements.

c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2013 and not early adopted

The following new standards, interpretations and amendments, which are not yet effective, may have an effect on NEST Corporation's future financial statements.

IFRS 9 Financial Instruments (effective no earlier than accounting periods beginning on or after 1 January 2017) will be a standard on financial instruments and will eventually form a complete replacement for *IAS 39 Financial Instruments: Recognition and Measurement*. Phase 1 addresses the classification, measurement and recognition of financial assets and financial liabilities. *IFRS 9* requires financial assets to be classified into two measurement categories – those measured at fair value and those measured at amortised cost. The determination is made at initial recognition and depends on the contractual cash flow characteristics of the instrument and the method in which an entity manages its financial instruments. Phase 2 addresses impairments – in particular how impairments of financial assets should be calculated and recorded. Phase 3 addresses hedge accounting which was previously contained in *IAS 39* - this will be updated with more detailed guidance and principles on hedge accounting, including guidance on accounting for certain hedging relationships.

IFRS 13 Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and UK generally accepted accounting principles (GAAP), do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or UK GAAP. The application of *IFRS 13* is subject to further review by HM Treasury and the other Relevant Authorities and for application in the 2015-16 *FReM*.

IAS 17 Leases replacement (no target date for IFRS) is a joint International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) project that seeks to improve the accounting for leases within the conceptual framework of assets and liabilities. The current proposals include the elimination of the current operating lease categorisation for virtually all leases except short-term leases. Instead, assets and liabilities will be recognised on a 'right of use' basis.

IAS 18 Revenue replacement (effective for accounting periods beginning on or after 1 January 2015) is a joint project from the IASB and FASB to replace both *IAS 18 Revenue* and *IAS 11 Construction Contracts*. Re-issued in November 2011, the Exposure Draft sought to develop a single conceptual model and general principles for determining when revenue should be recognised in the financial statements. That is, revenue should be recognised when (or as) the entity satisfies a separate performance obligation with a customer at an agreed price within a contract.

The above standards, if and when adopted, are not expected to have a material impact on the financial statements.

1.4 Accounting convention

These financial statements have been prepared under the historical cost convention, modified for the revaluation of certain assets and liabilities at fair value, as determined by the relevant IFRS and IFRIC interpretations.

1.5 Areas of judgement

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis. Specific areas of judgement include aspects of the treatment of assets used by Tata Consultancy Services (TCS) to administer the scheme, our estimate of the percentage of costs that are not chargeable to scheme members, depreciation and amortisation periods and provisions.

1.6 Estimation techniques

Revaluation of intangible assets

The *FReM* interpretation of *IAS 38 Intangible Assets* requires NEST Corporation to revalue its intangible assets to depreciated replacement cost as a proxy for fair value. As suggested in the *FReM*, NEST Corporation applies an appropriate index to revalue software licence and software development assets, but only at year-end and only if the impact is over 1 per cent of the net book value of the relevant asset class. The rationale to support the selection of the index is detailed below:

Software licences

It is management's view that there is no index currently available that provides a flawless result and, due to organisational and pricing structure changes among software suppliers, no trend information is available on the specific licences held by NEST Corporation. As the next best alternative, the index viewed by management as most appropriate in achieving the requirement of *IAS 38* and the *FReM* to establish a suitable proxy for fair value is *JV5A: Computers and peripheral equipment*. The main assumption being that although this index includes movements in IT hardware as well as licence prices, it adequately reflects the movements in the costs of licences during changing market conditions experienced over the reporting period.

Scheme-developed software

Management's conclusion is that the most appropriate index to use for software development is also *JV5A* as this is the best available proxy to establish fair value for IT-related assets.

1.7 Expenditure

All expenditure is recognised on an accruals basis.

1.8 Staff benefits

Short-term staff benefits, such as salaries and paid absences, are accounted for on an accruals basis over the period for which employees have provided services in the year. To the extent NEST Corporation has benefited from service thought likely to merit recognition through a bonus payment, a general accrual for staff bonuses, including directors, is included within staff costs. However, as directors' bonuses are not agreed at the financial year-end, they are not included in the remuneration report until payments to individuals have been determined by the remuneration committee. They will be included in the remuneration report in the first financial statements approved by the Trustee after payment has been agreed by the remuneration committee.

1.9 Pension costs

NEST Corporation operates a number of pension schemes to meet the diverse needs of the workforce. These are:

- the NEST Corporation Group Personal Pension Plan (formerly the PADA Group Personal Pension Plan), a defined contribution pension scheme for the corporation's directly employed staff who are employed on fixed-term contracts
- the NEST pension scheme, an occupational pensions scheme for all permanent employees
- an Aviva top-up scheme, a defined contribution group personal pension scheme for the corporation's directly employed staff who are employed on permanent contracts and who are eligible to access these top-up arrangements.

NEST Corporation recognises the employer costs for each relevant scheme in the period in which they are incurred.

The pension costs of civil servants on secondment to NEST Corporation are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described in DWP's annual report and accounts. PCSPS costs for civil servants on secondment to NEST Corporation are included in the payment made by NEST Corporation to the government departments from where the staff were sourced as part of the reimbursement of their employment costs. There is no residual liability for NEST Corporation in respect of PCSPS.

1.10 Value added tax (VAT)

NEST Corporation does not make taxable supplies and therefore is not registered for VAT. Consequently, where input VAT is incurred or payable, costs are shown inclusive of VAT.

1.11 Insurance

Any uninsured losses are charged directly to the Statement of Comprehensive Net Expenditure as incurred.

1.12 Income and funding

Income is reflected in the Statement of Comprehensive Net Expenditure and is recognised when it is probable that future economic benefits will flow to NEST Corporation and those benefits can be measured reliably.

Deductions made from NEST's member contributions go towards the general costs of the setting up, administration and management of the scheme. Charges are 1.8 per cent of contributions received and accounted for on an accruals basis once the contributions have been invested. Also an annual management charge is levied at a rate of 0.3 per cent of assets under management and this is accounted for on an accruals basis.

Costs associated with the functions of government are not chargeable to NEST members and are met through grant funding. The amount of grant funding is determined by management estimates of the time spent and costs involved in non-chargeable activities. This estimate is subsequently agreed with DWP. It is treated as income accounted for on an accrual basis.

Those costs not associated with functions of government and not met by deductions from contributions from members are funded by means of loans from DWP, which will subsequently be repayable from the deductions made from the contributions made by scheme members. The loans are recognised as a liability within the Statement of Financial Position.

NEST Corporation pays a commercial rate of interest on the loan to DWP. It also receives from DWP a grant sufficient, in effect, to reduce the interest payable on the loan from the commercial rate to the government rate of borrowing. This grant income is allowable state aid under a ruling from the European Commission in July 2010. The grant is treated as income.

1.13 Property, plant and equipment

Property, plant and equipment are stated at fair value. However, as permitted by the *FReM*, NEST Corporation has elected to adopt a depreciated historical cost basis as a proxy for fair value where assets have a short useful life or are of relatively low value. This applies to all assets NEST Corporation discloses as property, plant and equipment.

Assets are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds NEST Corporation's capitalisation threshold of £1,000. Where an item costs less than the capitalisation limit, but forms an integral part of a package or pool of items whose total value is greater than the capitalisation level, the item is treated as a capital asset.

On initial recognition, assets are measured at cost, including any costs such as installation which are directly attributable to bringing them into working condition and any associated decommissioning costs. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to NEST Corporation and the cost of the item can be measured reliably.

Unless otherwise provided for in an earlier period, all expenditure on repairs and maintenance is charged to the Statement of Comprehensive Net Expenditure during the financial period in which it is incurred.

Scheme administration contract assets

NEST Corporation has concluded that *IFRIC 12*, as adopted by the *FReM*, applies to the scheme administration contract with Tata Consultancy Services (TCS). Consequently the financial statements should recognise such dedicated non-current assets used by TCS in delivering the service that NEST Corporation effectively controls through the provisions of the scheme administration contract. These assets comprise scheme hardware, software licences and developed software.

Hardware, such as servers in the UK and India used for scheme administration, has been classified as a tangible scheme administration asset and is included in property, plant and equipment. Software licences used by TCS for scheme administration have been classified as intangible assets in the financial statements. Staffing costs incurred by TCS in configuring software to meet NEST Corporation's requirements have been classified as scheme-developed software with intangible assets. Details of how accounting policies are applied to these different classes of assets are set out in the appropriate sections of these notes.

The non-current assets are recognised when they became available for use, on the satisfaction by TCS of the associated milestone criteria. NEST Corporation's own costs are expensed as they are incurred unless they can be clearly attributed to specific scheme administration assets.

Advance payments under the contract which are made in respect of assets that have not yet come into use are recognised as prepayments. On initial recognition of the assets, the extent to which asset value exceeds the associated milestone payments is recognised as a finance lease liability.

Initial asset values are based on cost information provided by TCS under the terms of the contract. NEST Corporation has performed tests of reasonableness of this information and, in accordance with *IAS 16 Property Plant and Equipment* and *IAS 38 Intangible Assets*, has initially recognised the assets at cost.

Hardware costs have been taken from the non-current asset register supplied under the contract by TCS. This documents the hardware used by TCS exclusively for scheme administration under the contract. As the contract specifies that these assets are to be used exclusively for scheme administration and gives NEST Corporation certain rights and controls over these assets, NEST Corporation has concluded that it is appropriate to include the assets on its Statement of Financial Position.

The NEST finance department has reviewed the items on the non-current asset register. On the basis that the collections of assets are recorded at the cost incurred by TCS for each collection and the assumption that the cost paid by TCS reflected the economic value placed by TCS on the purchase, NEST Corporation has concluded that the valuation provided by TCS is appropriate for NEST Corporation to use for the initial value of the assets in its financial statements.

The *FReM* permits entities to adopt a depreciated historical cost basis as a proxy for fair value where the assets have a short useful life or low value. NEST Corporation has judged that the five years asset life of hardware assets is relatively short and consequently has decided to use depreciated historical cost as a proxy for fair value.

Asset refresh has been assumed after five years, following discussion with TCS over their asset replacement strategy. They have said that this is the likely average useful economic life of the assets, though clearly some individual items may need replacement sooner than this and others later. NEST Corporation does not believe it is useful or necessary to vary this assumption by type of asset.

An element of the annual service charge paid to TCS is attributed to asset replacement, accounted for as a prepayment up until the actual date of asset replacement. If at replacement the prepayment is less than the cost of the replacement asset, the balance is recognised as an additional finance lease liability.

1.14 Land and buildings

In the year, NEST Corporation occupied two properties, under a combination of operating leases and rental contracts. These costs are expensed as they are incurred. NEST Corporation relocated to new premises in November 2013 as a result of their incumbent operating lease expiring in December 2013, and consequently as at 31 March 2014, NEST occupied one property.

1.15 Intangible assets

Intangible assets are initially recognised at cost with subsequent measurement at fair value. Where an active market exists for the asset, it is carried at a revalued amount based on fair value at the end of the annual reporting period. Where no active market exists, assets are revalued using appropriate indices to indicate depreciated replacement cost as a proxy for fair value.

Purchased software licences and applications covering a period of more than one year and above the capitalisation threshold of £1,000 are capitalised at cost as intangible assets and subsequently revalued. Where an item costs less than the capitalisation limit, but forms an integral part of a package or pool of items whose total value is greater than the capitalisation level, the item is treated as a capital asset. Expenditure on annual software licences is recognised in the Statement of Comprehensive Net Expenditure.

NEST Corporation capitalises website development costs in accordance with *SIC 32 Web Site Costs* where the recognition criteria determined by *IAS 38 Intangible Assets* are met. During the reporting period no such costs have satisfied the criteria.

Scheme software licence costs for the TCS contract have been taken from the non-current asset register supplied by TCS under the contract. For the same reasons as those applying to hardware used for the contract, NEST Corporation has concluded that TCS's valuation of the licences is appropriate for NEST's financial statements.

The costs of software development incurred by TCS for scheme administration are capitalised in accordance with *IAS 38*, based on TCS's own records of those costs, excluding an estimate from TCS for expenditure which is appropriate to be expensed, such as training and project management.

Software development costs have been taken from TCS's quarterly financial reports supplied to NEST Corporation. According to the original bid model, some 12 per cent of TCS's projected staff set-up costs were expected to relate to overhead activities such as training and project management which would not be appropriate to capitalise, while the balance of the costs were for the business analysis, design, build and testing of software which NEST Corporation believes is appropriate to capitalise. TCS has confirmed that the actual percentage of staff effort on activities not appropriate to capitalise has been broadly in line with the assumption in the bid model. In view of this, NEST Corporation judges that the percentage of overhead lies between 10 per cent and 20 per cent and has decided to capitalise 85 per cent of TCS's incurred staff set up costs.

NEST management has judged that it is not appropriate to capitalise the effort of NEST's own staff in the joint work with TCS on design, as this has effectively been part of the process of defining NEST's own requirements.

NEST has concluded that software development costs incurred up to, but not including, the month the Service Release (SR) goes live, should be capitalised once TCS has satisfied milestone payment conditions pertaining to that particular SR. SR5 went live in March 2013 and TCS satisfied the conditions of Service Implementation Milestone (SIM) on 19 April 2013. SR6 went live in November 2013 and TCS satisfied the conditions of SIM 6 on 10 December 2013. While some of TCS's set-up activity in 2013/14 related to subsequent service implementation milestones, this is not separately identified in the quarterly financial reports. NEST Corporation has judged that it is not necessary to make an adjustment to the capitalised software to reflect this, on grounds of materiality and the fact that TCS has satisfied the criteria for certain advance payments relating to subsequent milestones. SR7 went live in March 2014 and to reflect this total advance payments for SR7 have been reflected on the Statement of Financial Position for 2013/14, however the development costs will only be capitalised as an asset in April 2014 once TCS has satisfied the conditions of the SIM.

NEST has concluded that the useful economic life of the capitalised software development should be regarded as the currently expected duration of the contract (six years to 2020).

1.16 Depreciation

Depreciation is charged on property, plant and equipment using the straight-line method as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write down each asset to its estimated residual value over its expected useful life, as follows:

- furniture and fittings – two to five years
- information technology and telecoms equipment – three to five years
- scheme administration IT hardware assets – expected to be replaced after five years.

Depreciation commences once an asset is available for use and continues until the asset is derecognised, categorised as held for sale or written down to nil value. Depreciation is calculated from the month following that of acquisition or, if later, from the month in which the asset is available for use. No depreciation is charged in the month of disposal.

Residual values and estimated useful economic lives of non-current assets are reviewed annually and adjusted if appropriate at the end of the reporting period. The financial impact is recognised in the Statement of Comprehensive Net Expenditure over the remaining life of the asset.

1.17 Amortisation

Amortisation is calculated on intangible assets using the straight-line method as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write down each asset to its estimated residual value over its expected useful life, or if shorter as follows:

- software licences – three years or period remaining on licence if less than three years
- scheme software licences used by TCS for the scheme administration contract – five years, on the grounds that hardware asset refresh is likely to be accompanied by upgrading of software licences
- scheme developed software – as described in accounting policy 1.15, costs incurred by TCS in developing the software used to administer the scheme have been amortised over the life of the contract on the grounds that the coding involved will be required to support scheme administration throughout the duration of the contract.

Amortisation commences once an asset is available for use and continues until the asset is derecognised, categorised as held for sale or written down to nil value. Amortisation is calculated from the month following that of acquisition or, if later, from the month in which the asset is available for use. No amortisation is charged in the month of disposal.

Residual values and estimated useful economic lives of non-current intangible assets are reviewed annually and adjusted if appropriate at the end of the reporting period. The financial impact is recognised in the Statement of Comprehensive Net Expenditure over the remaining life of the asset.

1.18 Revaluation and impairment of non-current assets

NEST Corporation carries out an annual valuation review of its non-current intangible assets. Increases in value are credited to a revaluation reserve. Impairments of revalued assets that do not result from a clear consumption of economic benefits are debited to the revaluation reserve up to the level of depreciated historical cost. Any excess devaluation is charged to the Statement of Comprehensive Net Expenditure.

Impairment losses that result from a clear consumption of economic benefit are taken directly to the Statement of Comprehensive Net Expenditure. Where the impairment relates to a revalued asset, the balance on the revaluation reserve to which the impairment would have been charged is transferred to the general fund to ensure consistency with *IAS 36 Impairment of Assets*.

On disposal of a revalued asset, the balance on the revaluation reserve in respect of that asset becomes fully realised and is transferred to the general fund. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Net Expenditure.

All non-current assets are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.19 Financial assets and financial liabilities

Financial assets and financial liabilities are recognised in NEST Corporation's Statement of Financial Position when it becomes party to contracts that give rise to them. NEST Corporation determines the classification of financial assets and liabilities at initial recognition in line with the categories designated by *IAS 39 Financial Instruments: Recognition and Measurement* as appropriate. Financial assets are derecognised when the right to receive cash flows has expired or NEST Corporation has transferred substantially all the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligations under the liability are discharged, cancelled or expire. It is, and has been, NEST Corporation policy that no trading in financial instruments is undertaken.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value and subsequently held at amortised cost. The fair value of trade and other receivables is usually the original invoiced amount.

Cash and cash equivalents comprise current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arm's-length transaction between knowledgeable willing parties. Where the classification of a financial instrument requires it to be stated at fair value, that fair value is determined using expected cash flows discounted back to a present value.

Impairment of financial assets

NEST Corporation assesses, at the end of the reporting period, whether there is objective evidence that financial assets are impaired as a result of events that occurred after the initial recognition of the asset and prior to the end of the reporting period. If such events had an adverse impact on the estimated future cash flows of the financial instrument they are impaired and the value within the Statement of Financial Position is reduced by the amount of any impairment.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows and is recognised in the Statement of Comprehensive Net Expenditure.

Interest, impairment losses and translation differences on monetary items are recognised in the Statement of Comprehensive Net Expenditure.

1.20 Inventories

NEST Corporation holds no inventories other than consumable items, the costs for which are expensed as they are incurred.

1.21 Provisions

Provisions are recognised when NEST Corporation has a present legal or constructive obligation arising as a consequence of past events and where it is probable that a transfer of economic benefit will be necessary to settle that obligation. These obligations, which are of uncertain timing or amount at the end of the reporting period, are included on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using NEST Corporation's weighted average cost of capital (see note 6).

1.22 Leases

Leases are classified as finance leases if the terms of the lease involve the substantial transfer of all the risks and rewards of ownership to the lessee. All the other leases are classified as operating leases and the rentals paid are charged to the Statement of Comprehensive Net Expenditure as incurred.

As set out under 1.13 Property, plant and equipment, NEST Corporation has concluded that the scheme administration contract with TCS involves a service concession and a finance lease in respect of the assets used by TCS for the service.

Leased assets classified as a finance lease are capitalised at the lower of the present value of the minimum lease payments discounted by the interest rate implicit in the lease or the fair value of the leased asset. Obligations relating to finance leases are recognised as liabilities. Lease payments are apportioned between reductions in the capital obligation included in liabilities and the interest element of the finance lease payment, which is charged to the Statement of Comprehensive Net Expenditure over the period of the lease.

The contract with TCS does not stipulate an interest expense element in relation to the provision of assets used for scheme administration. Therefore, as permitted by the *FReM*, NEST Corporation has concluded that the best proxy for the interest rate implicit in the contract is NEST's weighted average cost of capital.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases and the lease payments are charged to the Statement of Comprehensive Net Expenditure over the term of the lease.

1.23 Lease incentives

Assets received from third parties which are regarded as falling within the *SIC 15 Operating Lease Incentives* definition of lease incentives are capitalised and credited to a lease incentive reserve where appropriate. The lease incentive reserve is amortised on a straight-line basis over the remaining term of the lease and credited to the Statement of Comprehensive Net Expenditure.

1.24 Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed, unless they are remote.

In addition to contingent liabilities disclosed in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*, NEST Corporation discloses certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote. These must be reported to Parliament in accordance with the requirements of *Managing Public Money*.

These liabilities comprise:

- items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by departmental minute before NEST Corporation entering into the agreement; and
- all items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute) which are required by the *FReM* to be noted in the financial statements.

Where the time value of money is material, contingent liabilities that are required to be disclosed under *IAS 37* are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by *IAS 37* are stated at the amounts reported to Parliament.

1.25 Operating segments

IFRS 8 Operating Segments applies in full to NEST Corporation. In preparing the financial statements, NEST Corporation has considered the *IFRS 8* requirement to report results by operating segment. NEST Corporation has concluded that it does not have separate operating segments as defined by the standard.

2 Staff numbers and related costs

a) Staff costs

NEST Corporation is staffed by a combination of direct employees, staff seconded from other organisations (the majority from DWP), and a number of interim staff employed through third-party organisations.

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Directly employed staff		
Wages and salaries	15,620	15,269
Social security costs	1,807	1,797
Pension costs	1,056	885
Subtotal	**18,483**	**17,951**
Secondees	468	455
Interim staff	3,694	2,550
Total	**22,645**	**20,956**

b) Pension arrangements

NEST Corporation operates two active defined contribution pension schemes for its directly employed staff. There were 218 workers in these pension schemes as at 31 March 2014 (31 March 2013: 192). During the year there was also a legacy scheme NEST Corporation Personal Pension Plan (formerly the PADA Group Personal Pensions Plan). At the year-end there were no active members in this scheme.

NEST Corporation recognises the employer costs in the period to which they relate. At 31 March 2014 there was one month's contributions outstanding amounting to £138k (31 March 2013: £138k) which are included in current liabilities.

The pension costs of civil servants on secondment to NEST Corporation are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described in the parent department's annual report and accounts. PCSPS costs for civil servants on secondment to NEST Corporation are included in the payment made by NEST Corporation to the government departments from where the staff were sourced as part of the reimbursement of their employment costs and reflected in secondee costs in the table above. There is no residual liability for NEST Corporation in respect of PCSPS.

c) Average number of staff employed

	Year ended 31 March 2014 Average full time equivalents	Year ended 31 March 2013 Average full time equivalents
Directly employed staff		
Directly employed staff	243	238
Secondees	3	4
Interim staff	22	16
Total average number of staff	**268**	**258**

3 Depreciation, amortisation and other expenditure

	Note	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Depreciation and amortisation	7,8	11,544	10,146
Other expenditure			
Professional advice and support		1,271	2,076
Legal fees and expenses		552	646
Scheme administration expenses		23,036	13,133
Scheme investment costs		465	411
Recruitment and other staff costs		1,133	1,254
Business travel		412	437
Information technology and telephony		2,102	2,403
Research costs		1,252	800
Accommodation		1,249	714
Rentals under operating leases		1,193	648
Other running costs		158	88
Internal audit		320	255
Industry engagement		233	403
Auditor's remuneration – inc statutory audit			
– Corporation (National Audit Office)		82	82
– Scheme (KPMG)		65	55
Unwinding of discount on provisions	13	19	(16)
Insurance		114	67
Loss on disposal of non-current assets		29	6
Release of lease incentive reserve		(42)	(20)
(Recovery)/write off of cash loss	18	(302)	1,446
Increase in property repair provision	13	77	–
Subtotal		33,418	24,888
Total		**44,962**	**35,034**

NEST created an additional lease incentive reserve to recognise the rent-free period of £356k for the period 15 November to 31 December 2013 and has been charged against accommodation. The reserve will be released over a straight-line basis up to September 2018. Of the £42k released in 2013/14, £13k of this relates to the residual inducement for St Dunstan's House and £29k to the new lease incentive.

4 Grant income

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Grant income for non-chargeable costs	602	879
Public service obligation offset payment	9,643	7,065
Total	**10,245**	**7,944**

Costs associated with the functions of government are not chargeable to NEST members and are met through grant income funding from DWP.

Following the European Commission's ruling in July 2010 and NEST's taking on of members from July 2011, a public service obligation offset payment has been receivable from DWP which has the effect of reducing the cost of servicing the loan to the government cost of borrowing. This offset payment was received on the first loan interest payment date following the practical commencement of the public service duty when NEST took in its first members.

5 Other income

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Interest received and receivable	22	15
Members' contribution and annual management charges	1,935	61
Total	**1,957**	**76**

Interest received and receivable on cash balances NEST Corporation held on deposit with the Government Banking Service relating to the period is treated as income. Contribution charges relate to the 1.8 per cent deduction on invested contributions from members of NEST pension scheme and 0.3 per cent annual management charge on the value of NEST pension scheme investments under management. These amounts are collected by the scheme and paid to NEST Corporation when members' contributions have been invested.

6 Interest payable

	Note	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Loan interest paid and payable	19	17,145	13,080

Interest payable relates to interest charged on balances outstanding on the loan from DWP (see note 12).

NEST's weighted average cost of capital is the effective cumulative interest rate on the loan from DWP. Under the terms of the loan agreement NEST borrows at a fixed commercial rate of interest prevailing at the time of each drawdown, but it also receives a grant from DWP which is calculated so as to bring the effective rate of interest NEST pays from the commercial rate to the government rate. The weighted cumulative interest rate of borrowing up to 31 March 2014, taking into account that subsidy, is 3.12 per cent (2012/13: 3.3 per cent).

7 Property, plant and equipment

2013/14	Note	Furniture & fittings £000	Information technology[a] £000	Scheme hardware £000	Total £000
Cost					
As at 1 April 2013		234	1,625	14,264	16,123
Additions		240	1,354	521	2,115
Disposals		(186)	–	–	(186)
Write offs		–	–	–	–
Reclassification	8	–	–	–	–
As at 31 March 2014		**288**	**2,979**	**14,785**	**18,052**
Depreciation					
As at 1 April 2013		(161)	(703)	(3,762)	(4,626)
Charged in period		(45)	(416)	(2,901)	(3,362)
Disposals		157	–	–	157
Write offs		(1)	–	–	(1)
Reclassification	8	–	–	2	2
As at 31 March 2014		**(50)**	**(1,119)**	**(6,661)**	**(7,830)**
Net book value at 31 March 2014		**238**	**1,860**	**8,124**	**10,222**
Net book value at 31 March 2013		**73**	**922**	**10,502**	**11,497**
Asset financing:					
Owned		238	1,860	8,124	10,222
Net book value at 31 March 2014		**238**	**1,860**	**8,124**	**10,222**

Non-current assets totalling £7.8m were added during the year (£2.1m property, plant and equipment, £5.7m intangible assets).

Of the £7.8m non-current assets added, £6.0m have been used by TCS for scheme administration, and £1.8m relate to other assets used by NEST Corporation.

2012/13	Note	Furniture & fittings £000	Information technology[a] £000	Scheme hardware £000	Total £000
Cost					
As at 1 April 2012		254	1,349	10,050	11,653
Additions		6	311	4,214	4,531
Disposals		(8)	–	–	(8)
Write offs		(18)	–	–	(18)
Reclassification	8	–	(35)	–	(35)
As at 31 March 2013		**234**	**1,625**	**14,264**	**16,123**
Depreciation					
As at 1 April 2012		(135)	(421)	(1,416)	(1,972)
Charged in period		(46)	(305)	(2,346)	(2,697)
Disposals		7	–	–	7
Write offs		13	–	–	13
Reclassification	8	–	23	–	23
As at 31 March 2013		**(161)**	**(703)**	**(3,762)**	**(4,626)**
Net book value at 31 March 2013		**73**	**922**	**10,502**	**11,497**
Net book value at 31 March 2012		**119**	**928**	**8,634**	**9,681**
Asset financing:					
Owned		73	922	10,502	11,497
Net book value at 31 March 2013		**73**	**922**	**10,502**	**11,497**

a. Information technology includes telecoms equipment.

The annual review of all property, plant and equipment verified that the carrying value approximated to the fair value of the assets. Consequently there was no revaluation or impairments in the period.

8 Intangible assets

NEST Corporation's intangible assets comprise purchased software licences used directly by NEST employees, purchased software licences used by TCS for scheme administration and software developed by TCS for scheme administration.

2013/14	Note	Software licences £000	Scheme software licences £000	Scheme developed software £000	Total £000
Cost or valuation					
As at 1 April 2013		1,126	26,232	35,887	63,245
Additions		205	945	4,585	5,735
Revaluation	a	(72)	(2,179)	(2,933)	(5,184)
Reclassification	7	–	–	–	–
As at 31 March 2014		**1,259**	**24,998**	**37,539**	**63,796**
Amortisation					
As at 1 April 2013		(589)	(7,150)	(5,293)	(13,032)
Charged in period		(288)	(4,061)	(3,833)	(8,182)
Revaluation	a	42	507	364	913
Reclassification	7	–	(2)	–	(2)
As at 31 March 2014		**(835)**	**(10,706)**	**(8,762)**	**(20,303)**
Net book value at 31 March 2014		**424**	**14,292**	**28,777**	**43,493**
Net book value at 31 March 2013		**537**	**19,082**	**30,594**	**50,213**

2012/13	Note	Software licences £000	Scheme software licences £000	Scheme developed software £000	Total £000
Cost or valuation					
As at 1 April 2012		606	18,844	24,367	43,817
Additions		378	4,441	7,869	12,688
Revaluation	a	107	2,947	3,651	6,705
Reclassification	7	35	–	–	35
As at 31 March 2013		**1,126**	**26,232**	**35,887**	**63,245**
Amortisation					
As at 1 April 2012		(197)	(2,354)	(1,446)	(3,997)
Charged in period		(313)	(3,909)	(3,227)	(7,449)
Revaluation	a	(56)	(887)	(620)	(1,563)
Reclassification	7	(23)	–	–	(23)
As at 31 March 2013		**(589)**	**(7,150)**	**(5,293)**	**(13,032)**
Net book value at 31 March 2013		**537**	**19,082**	**30,594**	**50,213**
Net book value at 31 March 2012		**409**	**16,490**	**22,921**	**39,820**

a. Intangible assets were fair valued applying an appropriate Office for National Statistics (ONS) index. The revaluation and devaluation charge reflects movements in the index since the date the licences were purchased the software devlopment recognised as an intangible asset

The largest intangible asset on the NEST Corporation Statement of Financial Position relates to internally developed software by TCS to support the launch of the NEST pension scheme. In 2013/14 two tranches of developed software were added £1.4m and £3.1m, giving a total value of this asset of £37.5m, with accumulated amortisation of £8.8m as at 31 March 2014. The remaining amortisation period of these assets is 75 months.

Within the software licences associated with NEST pension scheme are items of relatively high value. These include BaNCS (bespoke transactional management software) – net book value £4.9m, Oracle software database – net book value £1.4m and Oracle user acceptance testing (UAT) environment software – net book value £1.0m as at 31 March 2014. The remaining amortisation periods of these assets are 75, 46 and 27 months respectively.

The non-current intangible assets were revalued at 31 March 2014 which resulted in a devaluation of £5.2m of carrying value and an accumulated amortisation adjustment of £0.9m. The net devaluation of £4.3m was offset against the revaluation reserve brought forward leaving a closing balance at 31 March 2014 of £0.9m.

9 Prepayments, trade and other receivables, and other current assets

	31 March 2014 £000	31 March 2013 £000
a) Amounts falling due over one year		
Advance payments to TCS	2,202	2,202
Prepayments in respect of asset refresh	6,863	3,657
Other prepayments	6	14
	9,071	**5,873**
b) Amounts falling due within one year		
Advance payments to TCS	8,428	3,360
Accrued income public sector obligation offset payment	4,574	3,444
Accrued income for non-chargeable costs	281	879
Other prepayments and accrued income	1,519	689
	14,802	**8,372**
c) Other current assets		
Staff loans	69	74
Other receivables	8	1
	77	**75**
	23,950	**14,320**

A total of £17.5m of prepayments (2012/13: £9.2m) relate to assets expected to be used in scheme administration services. £8.4m (2012/13: £3.4m) of these prepayments relate to assets that are expected to be available for use within one year after 31 March 2014 and £9.1m (2012/13: £5.8m) relates to assets expected to be available for use beyond one year.

Of the £17.5m (2012/13: £9.2m) of prepayments, £10.6m (2012/13: £5.6m) are advance payments related to the setting up of the scheme and £6.9m (2012/13: £3.6m) are amounts deducted from service charges to fund future asset replacement, which are being held within prepayments until asset replacement has taken place. The only intra government receivables at year-end were in respect of the public sector obligation offset payment of £4.6m (2012/13: £3.4m) and non-chargeable costs of £0.3m (2012/13: £0.9m).

10 Cash and cash equivalents

	31 March 2014 £000	31 March 2013 £000
Opening balance	17,763	14,591
Net change in cash balances	(10,512)	3,172
Balance at end of year	**7,251**	**17,763**
The following balances were held with the Government Banking Service	**7,251**	**17,763**

11 Current liabilities

	31 March 2014 £000	31 March 2013 £000
a) Trade and other payables		
Trade payables	2,536	863
Accruals	15,900	11,021
	18,436	**11,884**
b) Other liabilities		
Other taxation and social security	636	769
Pensions costs	138	138
Imputed finance lease element of TCS assets	12, 216	7,743
	12,990	**8.650**
Total	**31,426**	**20,534**

12 Non-current liabilities

	31 March 2014 £000	31 March 2013 £000
DWP Loan	299,317	239,317
Imputed finance lease element of TCS assets	7,809	11,167
Total	**307,126**	**250,484**

Loan funding from DWP is provided to meet the scheme implementation and initial running costs and will subsequently be repaid from charges levied on scheme members. The interest rate on each loan is determined by the interest rate prevailing at the time of taking out the loan. At 31 March 2014, the weighted average interest rate on loan funding was 3.12 per cent (31 March 2013: 3.3 per cent) (see note 6). Interest on loans is payable on April and October each year. The loan principals fall due for settlement on a series of repayment dates commencing 21 October 2020.

An imputed finance lease of £20.0m (2012/13: £18.9m) has been recognised, reflecting the difference between £73.7m (2012/13: £67.6m) in scheme administration assets initially recognised (adjusted for user acceptance testing environment assets and revaluation) and £51.2m (2012/13: £47.1m) in payments made to TCS up to 31 March 2014 in relation to those assets, less £4.4m (2012/13: £2.9m) offset against monthly service charges plus £1.9m (2012/13: £1.3m) of finance credit charge on the lease liability since the assets were recognised. This finance lease has been split between the amount expected to be extinguished within one year of £12.2m (2012/13: £7.7m) and the balance of the lease at £7.8m (2012/13: £11.2m).

a) Liabilities: analysis by amounts owing to central government

The following table identifies balances with other types of public sector organisation included within liabilities:

	31 March 2014 £000	31 March 2013 £000
Current Liabilities		
Balances with other central government bodies	9,019	7,169
Amounts owing to bodies external to government	22,407	13,365
Subtotal	31,426	20,534
Non-Current Liabilities:		
Balances with other central government bodies:	299,317	239,317
Amounts owing to bodies external to government	7,809	11,167
Subtotal	307,126	250,484
Total	**338,552**	**271,018**

Within the balance owing to other central government bodies is £299m loan funding (2012/13: £239m) owing to DWP and £0.6m (2012/13: £0.8m) owing to HM Revenue and Customs for employment-related tax and social security costs.

13 Provisions for liabilities and charges

	Note	31 March 2014 Provision for property repairs £000	31 March 2013 Provision for property repairs £000
Balance at 1 April		781	797
Provided in the year		77	–
Unwinding of discount	3	19	(16)
Balance as at 31 March 2014		**877**	**781**
Classified as:			
Amounts falling due within one year		800	781
Amounts falling due over one year		77	–
		877	**781**

The provision at 31 March 2014 relates to estimates of amounts required to settle property repairing liabilities for two buildings leased by NEST Corporation in 2013/14 (one lease terminating in December 2013 and the other commencing in November 2013). The provision included in the Statement of Financial Position has been calculated based on the latest estimated liability contained in the surveyor's report on the one property and an estimate by management based on data from the property management company of the prime lease holder. The provision in respect of the terminated lease is expected to be settled in early 2014/15 and the other in 2017/18.

14 Capital and other financial commitments

a) Capital and other financial commitments

	31 March 2014 £000	31 March 2013 £000
Contracted capital commitments at 31 March 2014 not otherwise included in these financial statements	1,026	53
Balance as at 31 March 2014	**1,026**	**53**

In 2013/14 NEST Corporation signed a five-year contract for banking services. The contract for TCS for the provision of scheme administration services has been recognised as a service concession and the commitments involved are shown below.

b) Commitments under service concession arrangements reflected in the Statement of Financial Position

NEST Corporation has a contract with TCS for scheme administration which has been assessed under *IFRIC 12* and recognised as a service concession. As a result, assets used for the contract have been recognised as non-current assets in the Statement of Financial Position and the liability to pay for these assets has been accounted for as a finance lease. The commitments analysed below reflect advance payments towards milestones, investment decision point's service charges and the imputed interest element.

	31 March 2014 £000	31 March 2013 £000
Total obligations under service concession arrangements reflected in the SoFP for the following periods comprise:		
Not later than one year	40,162	25,032
Later than one year and not later than five years	205,686	140,332
Later than five years	94,511	124,935
Total	**340,359**	**290,299**
Less interest element	(40,031)	(40,894)
Present value of obligations	**300,328**	**249,405**
Present value of obligations under service concession arrangements reflected in the SOFP for the following periods comprise:		
Not later than one year	38,948	24,227
Later than one year and not later than five years	183,316	124,854
Later than five years	78,064	100,324
Total present value of obligations	**300,328**	**249,405**

c) Charge to the Statement of Comprehensive Net Expenditure and future commitments

The total amount charged to the Statement of Comprehensive Net Expenditure in 2013/14 in respect of the service element of this service concession was £23m and the payments to which NEST Corporation is committed (subject to the conditions of the contract, particularly volume levels) is as follows:

	31 March 2014 £000	31 March 2013 £000
Not later than one year	27,703	20,135
Later than one year and not later than five years	153,969	105,063
Later than five years	79,997	105,130
Total	**261,669**	**230,328**

15 Commitments under leases

Operating leases

The future minimum lease payments under non-cancellable operating leases extant at the year-end date, in the following periods are:

	31 March 2014 £000	31 March 2013 £000
Future minimum lease payments comprise:		
Buildings		
Within one year	2,803	468
Between one year and five years	9,842	–
	12,645	**468**

The future minimum lease payments represent a lease for offices occupied by NEST Corporation. NEST Corporation moved into new premises at Riverside House in November 2013 and occupies the building under a memorandum of terms of occupation with DWP (the prime contract being between The Secretary of State for Work and Pensions and Telereal Trillium). Rent includes both a property charge and facilities management charge. It is fixed in the lease, based on normal market rates, and is payable monthly with quarterly cumulative indexation. The agreement imposes no restrictions on NEST Corporation on how it conducts its business. The prescribed term concludes in September 2022 and there is a break in September 2018. There is no renewal clause.

16 Financial instruments

	Note	31 March 2014 £000	31 March 2013 £000
Financial Assets			
Cash and cash equivalents	10	7,251	17,763
Staff loans	9	69	74
Total		**7,320**	**17,837**

The above figures exclude statutory receivables and prepayments.

	Note	31 March 2014 £000	31 March 2013 £000
Financial liabilities			
Trade payables	11	2,536	863
Accruals	11	15,900	11,021
Total		**18,436**	**11,884**

The above figures exclude statutory payables.

It is, and has been, NEST Corporation's policy that no trading in financial instruments is undertaken.

Financial assets and liabilities generated by day-to-day operational activities are not held in order to change the risks facing NEST Corporation in undertaking its activities.

NEST Corporation borrows money from DWP to fund activities which will subsequently be repaid using revenue raised from charges to scheme members. The weighted average interest rate applicable to the loans is 3.12 per cent (2012/13: 3.3 per cent) (see notes 6 and 12).

NEST Corporation's financial assets and liabilities which are outside the scope of activities to be charged to scheme members have a nil cost of capital.

NEST Corporation has no exposure to foreign currency risk at the year-end date (2012/13: nil).

The book value of NEST Corporation's financial assets and liabilities as at 31 March 2014 and 31 March 2013 are not materially different from their fair values.

17 Contingent liabilities disclosed under *IAS 37*

There are no contingent liabilities to disclose.

18 Losses and special payments

	Year ended 31 March 2014 £000	Cases	Year ended 31 March 2013 £000	Cases
Losses:				
Cash loss – mandate fraud	(302)	1	1,446	1
Other write offs – furniture and fittings	–		5	215
	(302)		**1,451**	

Last year we reported there had been an incident of mandate fraud resulting in a loss of £1.4m. During 2013/14 we have made appropriate attempts to reduce the loss and received £0.3m in May 2014. There were no special payments during 2013/14 (2012/13: nil).

19 Related party transactions

NEST Corporation is a non-departmental public body accountable to the Secretary of State for Work and Pensions and is classified as a public corporation. DWP is NEST Corporation's sponsoring department and the two bodies are regarded as related parties. During the year, NEST Corporation had a number of material transactions with DWP. These are detailed in the table below:

		Year ended 31 March 2014		Year ended 31 March 2013	
	Note	£000	£000	£000	£000
		Income and financing	Expenditure	Income and financing	Expenditure
Loan funding and repayment	12	60,000	–	68,300	111
Loan interest	6	–	17,145	–	13,080
Other transactions	4	10,245	1,306	7,944	473
Total		**70,245**	**18,451**	**76,244**	**13,664**

At 31 March 2014, excluding the liability to repay the loan which does not come into effect for more than 12 months, NEST Corporation had £8.1m outstanding liability with DWP (2012/13: £6.4m).

This relationship with DWP includes provision to NEST Corporation of:

a) grant income and loan funding

b) secondees

c) public service obligation offset payments; and

d) operating lease.

In addition, NEST Corporation has had a small number of relatively low-value transactions with other government departments and other central government bodies.

During the year NEST Corporation received income from the NEST pension scheme of £1,935k (2012/13: £61k), see note 5 for details.

NEST Corporation is a participating employer in the scheme. Contributions of £817k (2012/13: £626k) were payable by NEST Corporation to the scheme during the year.

No board members, senior managers or other related parties have undertaken any material transactions with NEST Corporation during the year.

20 Late payment of commercial debt

The Late Payment of Commercial Debts (Interest) Act 1998, which came into effect on 1 November 1998, and the Late Payment of Commercial Debts Regulations 2002, which came into effect on 7 August 2003, provide all businesses and public sector bodies with, amongst other entitlements, the right to claim interest for late payment.

During the year to 31 March 2014, NEST Corporation incurred £1,841 interest charges under the Late Payment of Commercial Debts (Interest) Act 1998 (2012/13: £16).

21 Cashflow analysis

	Note	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Non-cash items			
Depreciation and amortisation	3	11,544	10,146
Creation of lease incentive reserve		356	–
Increase/(release) of reserve	3	(42)	(20)
Loss on disposal of assets		29	6
Prepayments for asset refresh	9	(3,206)	(2,484)
Offset for finance lease liability		(1,489)	(2,172)
Finance credit charge		583	831
Total non-cash items		**7,775**	**6,307**
Purchase of property, plant and equipment and of intangible assets			
Purchase of software licences	8	(205)	(378)
Purchase of fixtures and fittings	7	(240)	(6)
Purchase of IT	7	(1,354)	(311)
Total purchase of property, plant and equipment and of intangible assets		**(1,799)**	**(695)**
Advance payments			
Total advance prepayments made in the year	9	(9,097)	(10,843)
Net advance payments		**(9,097)**	**(10,843)**

22 Events after the reporting period

IAS 10 Events After the Reporting Period requires NEST Corporation to disclose the date on which the financial statements are authorised for issue. This is the date of the certificate and report of the Comptroller and Auditor General.

The accounting officer authorised these financial statements for issue on 3 July 2014.

Appendix I – Direction in relation to the Annual Report and Accounts of the National Employment Savings Trust Corporation

GIVEN BY THE SECRETARY OF STATE FOR WORK AND PENSIONS, UNDER SCHEDULE 1 TO THE PENSIONS ACT 2008

1. In exercise of the powers conferred by paragraphs 17(2)(b) and 20(2) of Schedule 1 to the Pensions Act 2008 (c.30), the Secretary of State hereby directs the National Employment Savings Trust Corporation (NEST Corporation), as follows:

2. NEST Corporation shall prepare accounts for the 12 month period ended 31 March 2012, and subsequent financial years, in compliance with the accounting principles and disclosure requirements of the edition of the *Government Financial Reporting Manual* issued by HM Treasury ("*the FReM*") which is in force for the financial year for which the accounts are being prepared.

3. These accounts shall be prepared so as to:

    a. give a true and fair view of the state of affairs of NEST Corporation at 31 March 2012 and subsequent financial year-ends, and of the income and expenditure, changes in taxpayers' equity and cash flows for the financial year then ended; and

    b. provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

4. Compliance with the requirements of the *FReM* will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the *FReM* is inconsistent with the requirement to give a true and fair view, the requirements of the *FReM* should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the *FReM*. Any material departure from the *FReM* should be agreed with the Department for Work and Pensions and HM Treasury.

5. NEST Corporation must disclose in its accounts:

    a. the loan from DWP and any other loans for which NEST Corporation is responsible for and on behalf of NEST, together with interest charges related to those loans;

    b. contracts for scheme services (e.g. scheme administration) entered into for and on behalf of NEST; and

c. receipt of deductions made from members' accounts to contribute to the general costs of the setting up, administration and management of NEST.

6. NEST Corporation's accounts will not consolidate the accounts of NEST (the Pension Scheme).

7. In its Annual Report, referred to in paragraph 17 of Schedule 1 to the Pensions Act 2008, NEST Corporation is to include the report on NEST Corporation's proceedings during the year.

8. In accordance with paragraph 20 of Schedule 1 to the Pensions Act 2008, NEST Corporation is to prepare an annual statement of accounts for NEST Corporation. The accounts will include the certificate and report of the Comptroller and Auditor General on the NEST Corporation Accounts.

9. NEST Corporation came into force on 5 July 2010, and simultaneously its predecessor body (The Personal Accounts Delivery Authority – PADA) was wound up. For the financial year 1 April 2010 to 31 March 2011 only, the Annual Report and Accounts, referred to in paragraphs 7 and 8 above, will cover the full financial year, incorporating the period relating to PADA. The financial statements will also clearly show a separate wind-up account for PADA for the period 1 April 2010 to 4 July 2010. However, there is no need to prepare a separate SIC or management commentary as these items can be included in the overall accounts and report for NEST Corporation.

10. This Direction revokes and supersedes the Accounts Direction issued to PADA on 29 April 2009.

11. This Direction is signed by the authority of the Secretary of State for Work and Pensions.

Jos Joures
3 March 2011

Appendix 2 – Delivering sustainable value for members – NEST Corporation's corporate responsibility

Appendix 2 is an appendix of the annual report. It does not form part of the financial statements and is not subject to audit.

This year we agreed a Corporate Responsibility statement. This can be found on our website at **nestpensions.org.uk/library**. In this appendix we outline the key achievements in 2013/14 against each area of our statement.

Investment

We integrate environmental, social and governance (ESG) factors into aspects of our decision-making including the procurement of our fund managers, the allocation of assets in accordance with our risk budget and the engagement and voting of the shares in the companies we hold on behalf of our members.

In 2013/14 we agreed a set of responsible investment objectives. These can be found in our publication *Looking after Members' Money* at **nestpensions.org.uk/library**

We also agreed a voting policy and the setting up of a voting platform that allows us to:

- monitor, track and document how our fund managers vote on our behalf
- identify differences in voting decisions between our fund managers on resolutions like executive remuneration, audit and director re-elections
- engage in dialogue with our fund managers about their voting intentions ahead of AGMs
- have access to voting research which helps us to understand the issues and prepare our case to our fund managers.

The Trustee meets with its fund managers to discuss their performance with regards to voting and corporate governance. We publish a voting summary report that highlights where there was convergence and divergence from our voting policy with our fund managers' voting policy. This, and further information on our approach to responsible investment can be found on our website at **nestpensions.org.uk/responsible-investment**

In July 2013 NEST awarded two real estate mandates to Legal & General Investment Management (LGIM) following a highly competitive procurement process. In selecting these funds we considered the integration of ESG factors.

During the last year we've also developed our own bespoke metrics for assessing the long-term volatility impact of ESG risk factors and their statistical significance, with a view to developing fundamental indices tilted towards companies with higher standards of ESG.

Values and behaviours

As part of the Trustee's discussions during the winter of 2013/14 on the future strategy for NEST's long-term success, the role of NEST's culture was considered at length. Our commitment to continuing the development of NEST's culture is underlined in the future strategic priority to 'Build an organisation which is culturally fit for the challenge of delivering the NEST scheme'.

We launched the *NEST Code of conduct* ('the code') in December 2013. This sets out the legal, regulatory and internal policy standards employees of NEST need to follow. It also goes beyond this to outline the ethical principles and behaviours that help define who we are and what we're about as employees of NEST.

Activities and internal communications aimed at embedding and highlighting the application of the code have been launched during the remainder of the year. Adherence to the code now forms an integral part of our performance management and appraisal system, weighted equally with the achievement of business objectives. Further work to reinforce the role of the code among staff is planned for 2014/15.

Governance

This year the Trustee has undertaken a strategic review as the focus has shifted from building the scheme to preparing for the increasing volume of employers staging in 2014 and beyond. The Trustee has also reflected on the need to prioritise the robustness and health of NEST Corporation so that it's able to support the scheme and provide the necessary controls.

The Members' and Employers' Panels play a key role and their activities are explained in section 3.10. Trustee Members also held joint meetings with the panels in June 2013 and March 2014.

People

We carried out a staff engagement survey in June 2013 using a methodology developed by Aon Hewitt. This gave NEST a staff engagement score of 42 per cent, compared to a UK industry average of 48 per cent.

This disappointing score prompted a redoubling of efforts to address the issues identified and develop action plans at an all-NEST and directorate level. In particular, this is focused on addressing issues around performance management, improving visibility of NEST's leadership team, and tackling 'silo' working practices. The office relocation provided a further opportunity to address cross-team working arrangements. The importance of behaviours in our performance management framework was underlined at the mid-year review stage and reinforced by the introduction of the code. This has resulted in initiatives such as regular 'lunch and learn' presentations and leadership Q&A sessions to make our senior leaders more visible within the organisation.

We carried out an interim staff engagement survey in December 2013 which showed some encouraging improvements. The overall NEST engagement score increased to 49 per cent, and over two-fifths of the underlying measures improved significantly. Progress against specific areas of focus was also noted, for example, 'I receive useful feedback about how I am performing' (+7 per cent), 'Senior management are sufficiently visible' (+10 per cent), and 'Communication between different teams is effective' (+8 per cent).

While we're encouraged by the work undertaken this year and the effect that this has had in a short period of time, we're certainly not complacent. There's further work to do and this positive progress needs to be consolidated. To this end, we've this year agreed to explore Investors in People accreditation.

This year we attained London Living Wage (LLW) accreditation. While those who work directly for NEST already receive wages in excess of the LLW, our accreditation does mean that the people who service our building will be paid the LLW. NEST Corporation has also this year attained the Pension Quality Mark (PQM) Plus status, in line with our commitment to ensuring our staff are remunerated fairly and receive high quality pension provision. We've supported our staff's development with a deep commitment to learning and development. In line with CIPD practice we have made 2 per cent of paybill available to support staff training.

The average amount of time lost to sickness per employee in 2013/14, was 2.5 days, compared to 4.7 days in 2012/13. The average for 2013/14 excludes one individual who had 181 days sickness absence in the leave year.

This year we also conducted a review of our internal policies, seeking to consolidate and update these so that they support our people in 'doing the right thing'. The key policies underpin the code which was launched in December 2013.

NEST is an equal opportunity employer and is committed to a policy of treating all of its employees and job applicants equally. As part of this, NEST reviews data on the diversity of its workforce, as well as the effect of pay and other decisions on NEST staff.

The following table shows the total number and gender breakdown of the Trustees, executive team and all other staff at NEST.

	Male	Female	Total
Trustees*	8	3	11
Executive team	7	3	10
All other staff	130	110	240
Total	**145**	**116**	**261**

*This excludes four new Trustees (two female and two male) who were appointed after 31 March 2014.

NEST members

This year we've also undertaken customer experience research. While this showed that members are generally satisfied with NEST, this comes as much from them being positive about their enrolment in a workplace scheme in general as it does from their direct experience of NEST. Our research continues to affirm that members' priorities are that the service they receive is professional, they feel their money is safe, they're happy with how their pension is being managed, and they feel that they'll be kept informed throughout.

Employers and their advisers

Over the past year we've made a series of improvements to the employer and adviser parts of our website. This has been part of our preparations for the increase in volumes and the different needs of employers in 2014 and beyond.

This year we've introduced the *Employer help centre* and *NEST live help*, our webchat service, so that employers are able to access the help they need to navigate their duties and know how to set up their arrangements with NEST.

Environment

NEST Corporation takes the reporting of its sustainability performance seriously. It's considered an important tool in raising awareness and influencing behaviours. Our sustainability reporting aims to conform to the Greening Government Commitments (GGCs).

At the end of 2013 NEST Corporation relocated to Riverside House, a multi-tenanted building in central London. Riverside House is more modern than NEST's previous premises and the building management has greater control of energy usage. This includes:

- an onsite technical manager with responsibility for energy management and reduction and for ensuring that the building management system is running efficiently and correctly
- a schedule of monthly meetings to review energy management progress
- energy meters on the large pieces of equipment to monitor usage
- an energy policy designed to guide energy-related decision-making and to support an effective energy management strategy
- motion-activated low energy LED lighting.

As part of the multi-tenant arrangement, each tenant is not provided with accurate energy usage data. This therefore reduces the level of detail we are able to report on scope 2 emissions. We will however work with our landlord, Ofcom, to manage our environmental impact. Ofcom has shown their dedication to sustainability by stating in their 2012/13 annual report a commitment to 25 per cent reduction in carbon emissions. As tenants NEST will endeavour to help Ofcom with their future plans for sustainability for the building.

The overview in the following table is not a complete picture for the entire year as information is provided by our landlord with a time lag. In places we have used budget forecasts rather than actuals to show the expected costs in relation to financial indicators for energy usage and finite resources.

Summary of environmental performance for 2013/14

Area	Actual performance	Normalising data (per FTE)
Average annual full-time equivalent staffing figure: 268[1]		
Estate energy and emissions		
GHG emissions from offices	396.7 tonnes CO_2e	1.5 tonnes CO_2e
Total building energy consumption	664,674 kWh	2,443 kWh
Total energy expenditure	£125,686	£469
Travel emissions[2]		
CO_2e emissions from business travel	178.7 tonnes CO_2e	0.7 tonnes CO_2e
Total expenditure on business travel	£411,977	£1,537
Waste		
Total waste produced	30.7 tonnes	0.11 tonnes
Total recycled/reused	14.5 tonnes	0.05 tonnes
Total incinerated	16.2 tonnes	0.06 tonnes
Total to landfill	Nil	Nil
Total waste expenditure	£6,980	£26.0
Water		
Water consumption	2608 m^3	9.6 m^3
Water expenditure	£7,928	£29.6

[1] This figure includes employees, interims, secondees and consultants.

[2] Does not include bus/metro/tube/tram for official business travel as data collection and robust estimate not currently possible.

Greenhouse gas emissions

The non-financial indicators (tonnes CO_2e and kWh information for gas and electricity) are for April to December 2013 only. The depth of information required for this level of reporting is not currently available within the new premises.

The financial indicators (for gas and electricity) are for the full year. These are made up of actuals data for April to December 2013, and budget forecasts for January to March 2014.

The business travel figures (both financial and non-financial figures) are for the full year.

Greenhouse gas emissions		2011/12[1]	2012/13	2013/14[2]
Non-financial indicators (tonnes CO_2e)	**Scope 1 – Gas emissions**			
	Gas	43.7	16.1	50.8
	Total scope 1	**43.7**	**16.1**	**50.8**
	Scope 2 – Electricity emissions			
	Electricity: brown	323.1	175.6	259.4
	Electricity: green	43.1	23.4	34.6
	Electricity: CHP	64.6	35.1	51.9
	Total scope 2	**430.8**	**234.1**	**345.9**
	Scope 3 – Business travel emissions			
	Private vehicle	18.5	5.3	11.8
	Car hire	28.6	15.2	21.8
	Taxis[3]	1.4	1.0	2.2
	Air	102.6	33.3	113.6
	Rail	39.6	18.9	29.3
	Total scope 3	**190.7**	**73.7**	**178.7**
	Total emissions	**665.2**	**323.9**	**575.4**
Related energy consumption (kWh)	**Scope 1 – Gas**			
	Gas	237,757	87,019	274,369
	Scope 2 – Electricity			
	Electricity: Brown	615,841	337,423	498,505
	Electricity: Green	82,112	44,990	66,467
	Electricity: CHP	123,168	67,485	99,701
	Total electricity	**821,121**	**449,898**	**664,674**
Financial indicators (£)	**Scope 1 and 2 – Gas and electricity**			
	Gas	12,772	5,558	14,698
	Electricity: brown	71,648	39,916	83,241
	Electricity: green	9,553	5,322	11,099
	Electricity: CHP	14,330	7,983	16,648
	Scope 3 – Business travel			
	Private vehicle	20,678	7,627	19,016
	Car hire	42,846	33,996	53,498
	Taxis	10,373	8,902	11,886
	Air	81,575	36,711	150,978
	Rail	192,673	95,339	176,599

[1] Some 2011/12 figures have been restated due to year-end reconciliation.

[2] For tonnes CO_2e and kWh information for gas and electricity the data provided is for April to December 2013 only.

[3] Assumption that 50 per cent is by black cab, 50 per cent is by regular taxi.

Greenhouse gas (GHG) performance commentary including targets

NEST Corporation relocated at the end of 2013 with a short period of dual running between two buildings. Preparation for the move and the move itself necessitated working at weekends, which will account for some of the higher scope 1 and 2 figures. The majority of the increased figures, however, are due to the failing and inefficient plant and machinery at our previous offices. Where necessary we repaired the plant as appropriate and provided alternative measures to try and maintain a comfortable working environment in a cost effective manner. The old and ill repair of the plant and machinery within our estate resulted in less efficient and the longer running of it. The relocation meant that we were unable to invest in property-related efficiency measures for the previous location.

The largest increase has been with air travel at 310%. As our scheme administrator, Tata Consultancy Services is one of our main service providers. Therefore, travel between our premises and their Indian premises is essential. It's also necessary to attend conferences to share our knowledge and experience and also to gain further insight into the issues within the pensions arena. We therefore feel that a scope 3 emissions reduction target currently is unachievable and will not be set.

Use of finite resources

GGC states that typical water usage for an organisation of our size and structure is 4-6m^3 per person. Our current usage is 9.6m^3 per person. Our water consumption is high due to the design of the water cooling tower at our previous offices in St Dunstan's House that was used in the heating, ventilation and air conditioning system.

Water consumption (scope 2)		2011/12	2012/13	2013/14*
Non-financial indicators (m^3)	Water consumption	4,243	2,121	2,608
Financial indicators (£)	Total water costs#	9,258	4,840	7,928

* For water consumption the data provided is for April to December 2013 only. The depth of information required for this level of reporting is not currently available within the new premises.

The financial indicators (for total water costs) are for the full year. These are made up of actuals data for April to December 2013, and budget forecasts for January to March 2014 as at the time of writing the actual amounts had not been received.

Waste management

At NEST we have the ability to recycle all of our waste streams and we have implemented a one waste bin system to aid the recycling rates.

2013/14 has seen a 125% increase in the amount of waste we produce. This is within expectations due to the fact that in the preparation for an office move we disposed of a substantial volume of excess paperwork, stationery and small items of furniture.

Waste		2011/12	2012/13	2013/14*
Non-financial indicators (tonnes)	Waste to landfill	0	0	0
	Waste recycled/reused	19.6	5.7	14.5
	Waste incinerated#	17.8	7.1	16.2
	Total waste	37.4	12.8	30.1
Financial indicators (£)	Total waste costs†	10,846	4,373	6,980

* Both non-financial and financial data for waste management are for the period April to December 2013 only.
# Waste is incinerated by waste contractor with energy recovery.
† Financial data for individual waste categories is not currently available.

Role in the community

NEST supports its staff and enables them to take up to four volunteering days each year. This has seen our staff support a range of projects and organisations in the local community over the last year, including the Salvation Army's Partnership Cup football tournament, mentoring, and supporting older people's charities.

NEST Corporation encourages employees to play a full part in our local community. NEST has supported a number of local charitable initiatives, including through the Better Bankside initiative, over the course of the year and raised money for selected charities through staff organised events.

In October, four NEST staff joined with TCS colleagues to run the TCS Amsterdam Marathon and raise money for charity.