

The Pensions Regulator publishes guidance to boost equality, diversity and inclusion across trustee boards



What you **need to know**

- Following on from last year's action plan, The Pensions Regulator (TPR) has published guidance aimed at improving equality, diversity and inclusion (EDI) across trustee boards.
- TPR has previously said that "Trustee boards that are not diverse risk knowledge gaps, entrenched ideas, biased thinking and poor decision-making which puts savers at a disadvantage."
- The guidance sets out steps TPR believes "can and should be taken to improve EDI". This includes setting EDI aims and capturing them in a policy; regularly reviewing and assessing the trustee board's diversity of life experiences, expertise and skills; considering scheduled changes to trustees to bring fresh perspectives; and ensuring inclusive communications.
- The key role of the chair is highlighted throughout the guidance. TPR notes that the chair plays a lead role in promoting EDI and setting the tone for inclusive discussions.
- There is separate guidance for employers, focussed on the recruitment and selection of trustees.



Actions you can take

- Carry out **trustee training on EDI** and consider putting in place an **EDI policy**
- **Assess the diversity of your trustee board** and identify any gaps
- Review **your succession planning** and **processes for recruitment of new trustees**
- Consider how trustee meetings and **decision making could be made more inclusive**

How does TPR define equality, diversity and inclusion?

In its action plan published in September 2022, TPR set out its definition of EDI

Equality

TPR quotes the Equality and Human Rights Commission: "Equality is about ensuring that every individual has an equal opportunity to make the most of their lives and talents."

Diversity

Diversity means variety. TPR adopts the same definition as the Pension & Lifetime Savings Association, which encompasses the nine protected characteristics under the Equality Act 2010 (for example age, sex, race) but goes further to encompass a wider range of individual differences, for example socio-economic background.

Inclusion

The effective involvement of individuals from all backgrounds, creating an environment in which they can thrive and reach their full potential. In an inclusive environment, diverse characteristics and identities are mutually beneficial to individuals and organisations enabling the best decisions to be made.

Combining equality, diversity and inclusion

Having people from different backgrounds might mean that a trustee board is more diverse, but if those people don't feel respected or heard then the trustee board will not benefit from their full talents and experiences.



The finer detail: Key parts of the guidance

Ways to get started

TPR recognises that each scheme will have different challenges in terms of achieving EDI. The guidance sets out some practical ways to get started:

- EDI training
- Developing and maintaining an EDI policy covering an agreed definition of EDI, aims/ principles and an EDI training plan
- Assessment of the performance of the trustee board in terms of general effectiveness as well as how successfully EDI is embedded into processes
- Engaging with the employer over trustee recruitment/selection and support for existing trustees
- Extra training for the Chair given their key role in driving and promoting EDI

Reviewing diversity on the trustee board

TPR sets out that to improve EDI there should be a regular assessment of the trustee board's diversity of characteristics, life experiences, expertise and skills. TPR provides an example skills matrix and sample board evaluation questions to help with this process.

The process for recruiting new trustees is viewed as a key opportunity to work towards EDI aims. Succession planning is an important part of this. The guidance encourages thought about the use of fixed term trustee appointments and balancing the fresh perspectives that new trustees can bring with the risk of losing scheme-related knowledge.

Encouraging an inclusive trustee board culture

The guidance highlights the key role that the Chair plays in providing an open and inclusive culture. Key to this is encouraging full participation and creating an open environment where all trustees can voice their opinions. The guidance also notes the importance of feedback at the end of meetings, and adjustments to meetings/working styles to enable the board to be effective.

Recruitment and selection of trustees

The process for recruitment, nomination and selection of trustees can be a key area in working towards EDI aims. Nomination processes can be structured to attract a more diverse pool of candidates and actions can be taken to better communicate the role of a trustee and what it involves. Consideration should be given as to whether selection or election of Member Nominated Trustees is likely to work best for a scheme's EDI aims. Professional trustees may be a way to address diversity gaps.

Employer guidance

The guidance sets out the important role played by the employer in ensuring that EDI is considered by their pension scheme. When selecting employer nominated trustees the employer should consider promoting the role as an opportunity to add value to personal / career development and ensuring staff have sufficient time and support to actually carry out the trustee role. Consideration should also be given to alignment of the scheme and organisation's EDI initiatives. The guidance notes that EDI considerations should form part of any decision-making around appointment of a professional trustee and in particular a move to a sole trustee.

For further information, please get in touch with Robert Wallace or Sarah Keighley or speak to your usual XPS Pensions contact.



011 8313 0789



robert.wallace@xpsgroup.com



011 3887 0931



sarah.keighley@xpsgroup.com



@xpsgroup



xpensionsgroup