

Equality, Diversity and Inclusion (EDI)

April 2023

Introduction

The Pensions Regulator (TPR) has issued its first piece of notable guidance on Equality, Diversity and Inclusion (EDI). This was promised last year when TPR set out their strategy to ensure that trustee boards are doing all they can to be representative of their membership, have boards that have diverse views and are inclusive.

The guidance has no legal basis, which TPR does acknowledge, but it is important to note that TPR regulates a wide range of pension scheme types from small defined benefit schemes to the large Master Trust arrangements, that have grown since auto-enrolment, and public service schemes.

The fundamental underpinning is TPR's belief that diverse and representative boards make better decisions for the good of the members.

Definition of terms

TPR provides some definitions for Equality, Diversity and Inclusion and it is worthwhile taking a moment to understand these. We have shortened the definitions in the interests of space.

Equality – at its heart this is about ensuring people have an equal opportunity to make the most of their lives and talents. From a pension scheme perspective ensuring all people have an equal opportunity to join a board and have their views and opinions respected.

Diversity – these are the individual differences that we have. These include protected characteristics recognised by law, such as age, disability, race, gender reassignment, sex etc. as well as other characteristics such as neurodiversity or socio-economic background.

Inclusion – is the effective involvement of all individuals by creating an environment where diverse perspectives can be captured to enable the best decisions to be made.

While the guidance does not go into this area as much at this stage, inclusion also extends to member communications and the way boards engage with members.

What has TPR published?

TPR has published four pages of guidance;

An overview - [EDI overview | The Pensions Regulator](#)

Guidance to “governing bodies” aka Trustees - [Governing body guidance | The Pensions Regulator](#)

Guidance for employers – [Employers: EDI guidance | The Pensions Regulator](#)

Communicating with DC members - [Communicating reporting DC pension schemes | The Pensions Regulator](#)

In summary, what are TPR saying?

The Chair – the role of the chair is central to the success of any EDI policies. This person will set the tone for discussions and the actions of the Board. The Regulator highlights areas where they would expect the chair to lead on EDI. These include:

- Progressing EDI matters
- Engaging with the employer to ensure they understand needs for diversity and skills gaps when appointing trustees and succession planning
- Encourage diversity in Member Nominated Trustee (MNT) processes

EDI Policy – The regulator strongly suggests that trustees should develop an EDI policy to cover:

- Definitions of EDI
- EDI aims
- Training plan for EDI

There could also be some agreed objectives for trustees to undergo training and advising members of their actions.

Employer support – it is very common for the employer to have the power to appoint trustees, and it is in this context that TPR has rightly aimed guidance at employers to highlight the areas for them to consider when appointing trustees. Of course, this could be lay trustees or professional trustees.

What can trustees do?

Trustees may feel under pressure to take action when in practice their options are limited due to factors particular to their scheme. However, this does not mean there isn't anything for trustees to do. A policy, as noted above, will be an excellent place to start together with some practical training.

We've noted below some areas where there could be some relatively straightforward successes for Trustees which will start them on this progression to improve EDI across their scheme.

MNT Policies – this is a key phase in the lifecycle of the scheme when MNT vacancies are to be filled. The nomination and selection process can be reviewed to ensure:

- The role of trustee is clear and accessible
- The communication is drafted in a way that can be easily understood and clarifies the commitment and positives of acting as a Trustee

Skills and diversity analysis and effectiveness – many Trustees will have undertaken board effectiveness surveys but repeating this exercise and reviewing the membership of the committees will ensure that the right people are involved in the right areas. In addition this will help when recruiting new trustees.

Decision making -consider the process for decision making. Are these clear to all and understood?

Arrange training – training in EDI as a primer for trustees is a good idea, as is more targeted unconscious bias training.

Discuss member communications - trustees should consider the membership of the scheme and whether they are communicating with them in a way that meets their needs. In particular accessibility and the use of technology, literacy, language and numeracy skills of the membership should be considered. These may not be fully understood but a view can be taken.

Broadstone comment

The Pensions Regulator has been promising more on EDI and support for Trustees and employers and it is good to see progress being made. The balance for TPR and trustees is a delicate one as TPR is not imposing quotas or targets for schemes (at least not at this stage) and this is the right course of action. Trustee boards are not akin to businesses, especially smaller schemes with limited resources, and so setting unrealistic and irrelevant targets is not the way to approach this. However, what this does represent is a great opportunity for trustees to review their governance, decision making and communications to ensure they are as inclusive and representative as they can be. There are a lot of positives to take from this initiative to introduce EDI to trustee run schemes. By taking these steps we could have:

- Trustee boards that better represent their membership or wider society
- Trustee boards that can attract people from a wider range of backgrounds
- Member communications that have greater consideration of the potential challenges of the reader

Trustees and their advisers should address these matters in a considered and sensitive manner to ensure the right steps are taken in a way that has the widest possible involvement from the board.

No solution will ever be perfect – but don't let perfection be the enemy of good.



**For more information on how Broadstone can help you,
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