

Diversity, equity and inclusion

A recipe for an effective pension scheme

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At LCP we believe that nurturing a people-first, equitable, inclusive and diverse workplace creates an environment where everyone can thrive, supports innovation and results in more effective decision making. Read all about Diversity, Equity and Inclusion (“DEI”) at LCP on our website.



Introduction

Countless studies show that diverse groups make better decisions. Or, rather, diverse groups that are equitable and truly inclusive make better decisions and achieve better outcomes.

Trustee boards where different views are voiced, heard and respected and discussions are collaborative and properly facilitated are more robust and resistant to groupthink. They bring together greater lived experiences and broader perspectives to explore a wider range of options and spot potential risks, ultimately resulting in better outcomes for their schemes and members.

Not only are equity and inclusion important in the context of group decision-making, but trustees also have a responsibility to represent the best interests of their diverse memberships. This necessitates having a good understanding of the demographics, values, circumstances, risk tolerance, and preferred language of their members - having diverse representation of perspectives on the board helps this. Embracing the values of diversity and inclusion will also help trustees challenge unconscious biases and treat members fairly and equitably.

This all may sound good in theory but can be hard to achieve in practice.

In this guide we share our insights on why diversity, equity and inclusion (or “DEI” for short)” are relevant for pension scheme trustees, and what they can and should be doing to embrace the topic. Throughout, we share our top tips to support trustees to achieve best practice and fully embrace the topic, so together we can move the dial across the industry.



Jill Ampleford (she/her)

Head of Trustee Consulting at
LCP and DEI Group Co-Lead

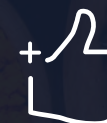
Many trustee boards recognise the importance of diversity, equity and inclusion but don't know where to start. We are pleased to be able to share some of our learnings from our own journey and support our clients as they engage with these issues. Together, we believe we can move the dial on inclusion across the areas we work in.



The benefits of DEI for pensions trustees



Better decisions



Better outcomes



More robust



Resistant to groupthink



Sharing lived experiences



Broader perspectives



Spot more risks

Why DEI is important for good pension scheme governance

Before we take action, it's helpful to reflect on the current state of play and the business case for improved DEI.

Diversity encompasses the wide spectrum of human characteristics and lived experiences and is what makes each one of us unique. The term is often used to reference protected characteristics under the Equality Act as well as other backgrounds and identities – we include some examples below.

Despite the recent introduction of auto-enrolment which has brought about a huge amount of diverse people saving into workplace pensions for the first time, research into the diversity of trustee boards has

found that, unlike the members of their schemes, trustee boards tend to be less diverse. Although trustees represent a range of experiences, personalities and approaches, there remain many diversity characteristics which are underrepresented.

The IFoA's report on pension trustee decision making highlighted that there remains a major gender imbalance and lack of age and ethnic diversity in the composition of pension boards in the UK. This can make interactions with and decisions on behalf of members subject to “blind spots”, where trustees do not appropriately understand the circumstances or values of the members they represent and therefore may be more likely to be led by unconscious or implicit biases in their communications and decisions.

Diversity covers a range of characteristics, backgrounds and experiences, including:

Race	Gender	Sexuality	Age	Parenthood
Sex	Class	Education	Income	Citizen status
Skills	Religion or belief	Neurodiversity	Disability	Ethnicity
Marriage and civil partnership	Physical and mental health	Trans identity	Pregnancy maternity and breastfeeding	Caring responsibilities



What is groupthink?

Studies show diverse boards are more resistant to groupthink and other behavioural risks. Groupthink occurs where a desire for consensus and lack of effective and constructive challenge can lead to poor, and sometimes irrational, decisions being made. Its fallout can be catastrophic, and groupthink is often identified in high profile cases of large business or pension scheme failures with the benefit of hindsight.



Women only make up 18% of pension trustees and ethnic minorities just 3%. Around 60% of trustees are over the age of 50, whilst only 12% are less than 40 years old.

**Pension Trustee Decision Making report
commissioned by the Institute and Faculty
of Actuaries, 2021**

The case for diversity

Research shows that the most diverse companies outperform their peers on profitability. For example, McKinsey's Diversity wins: How inclusion matters (2020) report found that "companies with more than 30 percent women on their executive teams are significantly more likely to outperform those with between 10 and 30 percent women, and these companies in turn are more likely to outperform those with fewer or no women executives." And the McKinsey research found even higher outperformance with diverse ethnicities than with gender.

Even though the objective of trustees is not to make profit, the key message remains that being more diverse, and inclusive, will help achieve better member engagement and outcomes.

Not only will diverse trustee boards be more reflective of their members, but evidence supports that having both gender and ethnic diversity on the decision-making group should ultimately have a positive impact on the performance and management of the pension scheme.





Zoe Burdo (she/her)

Behavioural risks specialist
and LCP DEI Manager

The risk of groupthink and other behavioural biases is undeniable, and often ends up in the headlines when things go wrong. Trustee boards can take proactive steps to combat these, and ensuring diverse representation within an inclusive environment where constructive challenge is embraced and encouraged is absolutely key.

DEI isn't just relevant for looking after the interests of members of individual pension schemes – pension scheme trustees are responsible for investing huge amounts of value, and their influence on financial markets is substantial. According to the OECD, the total amount of assets under the guardianship of trustees of DB pension schemes in the UK is over £2 trillion.

Not only do trustees have a significant influence on markets in the types of assets they invest in, they are also increasingly able to harness their voting influence as investors, so it's important their decision-making is robust and that they are able to represent the interests and opinions of their members.

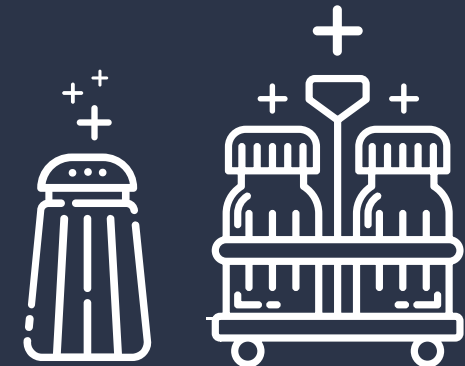
Throughout the rest of this guide we explore a range of initiatives to improve governance and decision-making ranging from organising trustee meetings that are easily accessible to using alternative recruitment methods to reach communities currently underrepresented on pensions boards.



Explore more insights on combating behavioural biases and preventing groupthink on LCP's behavioural insights hub



DEI isn't just relevant to the trustee board itself – it is about having different perspectives and lived experiences contribute to the process. Advisers, member focus groups, and other professionals can help broaden representation and add constructive challenge within your decision-making process.

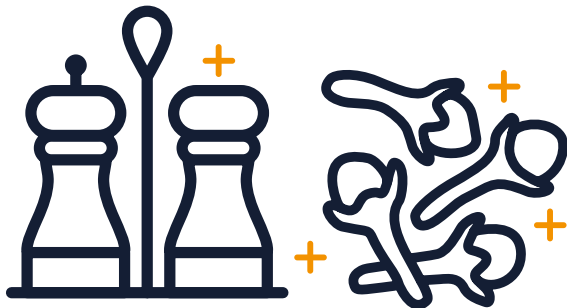




Nathalie Sims (she/her)

Head of Strategic Pension Relationships and Co-chair of TPR's DEI Working group: Employer/sponsor engagement/selling the benefits of D&I

Professional Trustee firms are amending their recruitment practices to ensure they are supporting the drive towards more inclusive trustee boards. This is very much in line with TPR's ambitions of improving DEI within boards. This is a particularly important factor when it comes to appointing a Professional Corporate Sole Trustee.



Top tips - Treating members fairly and challenging unconscious biases



Member terms and options: Consider setting terms consistently across the membership by using unisex member option terms. Trustees can also consider how communications may impact members' understanding of the different options available to them.



Assumed gender roles: When considering discretionary benefits, such as spouse's benefits paid to unmarried partners that may not be guaranteed under the scheme rules, it is easy for assumptions about family or gender roles to influence the decision. For example, trustees may be more likely to award such benefits to female partners than male partners on the basis that societal expectations have traditionally been for male partners to be the breadwinner and female partners a dependant. Consider removing information such as gender from the information included when considering discretionary benefits to avoid unintended influence of unconscious biases.



Challenge the concept of 'best interests': Trustees are responsible for acting in the 'best interests' of members. Often, and for those in fortunate financial positions, this is interpreted as protecting and maximising long-term financial value. Members will have different personal circumstances, needs, and ideas of financial security.

For example, for a member who may have outstanding debt or is facing challenging immediate financial circumstances, the 'value' of having cash available for a particular purpose or being able to change the structure of pension income may be very different from that implied by an actuarial equation. Trustees should be careful not to project their own personal values and circumstances onto members, particularly where those members are not represented on the decision-making group.

Creating an inclusive and equitable decision-making group

Focusing solely on creating a diverse board is only one part of the puzzle – the environment in which trustees operate is also a key consideration. If the environment is not inclusive of those with different identities and backgrounds (meaning that everyone feels respected and empowered to voice their opinions and they are subsequently respected and heard), then fairness, equality and balanced contributions will not thrive. In the extreme, diversity without inclusion can create an environment where biases are amplified, and more censorship and groupthink can occur.

Diversity and balanced representation are only effective and sustainable if the trustee board works actively to be inclusive and equitable, aiming to create an environment in which input and influence is balanced and trustees (and their advisers) are able to constructively challenge each other.

McKinsey's research also highlighted that inclusion is an important emerging differentiator of corporate success and that employees' experience of inclusion in their workplace matters to them. The same applies to creating inclusive boards, where trustees who experience inclusion are more likely to share new ideas, contribute to healthy challenge, and identify risks that may otherwise be overlooked.

We have adapted the actions suggested in McKinsey's report for employers into top tips for trustees to promote an inclusive decision-making environment on their boards (which you can find on pages 10 and 11).

McKinsey also suggests three core indicators of inclusion - equality, openness and belonging. Focusing in these areas is a good starting point and as part of this, we encourage trustees and their advisers to actively promote positive initiatives such as educational programmes and sharing of experiences, along with industry level networking and mentoring.

What do you need for inclusion?

- 1 Equality
- 2 Openness
- 3 Belonging



Aaron Punwani (he/him)

LCP CEO and DEI Group Co-Lead

At LCP, our focus is not only on improving representation, but also on ensuring that the working environment is inclusive and everyone feels supported to achieve their potential. We believe this is an important focus for trustee boards too - with true inclusion you are more likely to see lasting change and experience the wide-ranging benefits that diverse groups offer.

What is equity?

Equity aims to achieve fair outcomes. It seeks to create a level playing field so everyone has the same chances to succeed. This means acknowledging that individuals have different circumstances and some face additional systemic barriers.

Top tips for creating an inclusive and equitable decision-making group



1. CREATE AN ENVIRONMENT WHERE EVERYONE FEELS WELCOME AND RESPECTED

- Doing something is better than doing nothing.
- Decide what 'good' representation looks like. Take into account demographics of the wider population and your objectives.
- Look beyond gender and ethnicity and identify areas of representation that can be improved.
- Document your scheme's approach to DEI in a written policy, and set objectives for improvement. Table the topic regularly at trustee meetings.



2. MAKE INDIVIDUALS ACCOUNTABLE

- Make a named individual, for example the Chair of the Trustee board, accountable for promoting DEI.
- Ensure the rest of the board has appropriate training.
- Understand and support the sponsor's diversity and inclusion strategy or challenge as appropriate.
- Ensure that advisers share and support the board's approach to DEI and understand their own approach to DEI.



Top tips for creating an inclusive and equitable decision-making group



3. PROVIDE FAIR AND TRANSPARENT OPPORTUNITIES

- Promote fairness and transparency in the trustee recruitment process.
- Identify and challenge barriers to access for prospective trustees.
- Cultivate a working culture where people can express their own individuality without impact on their success.



4. PROMOTE OPENNESS AND TACKLE MICROAGGRESSIONS

- Establish ground rules for your meetings to encourage openness and any necessary changes in behaviour.
- Work to create an open environment where healthy challenge and debate is encouraged. For example, anonymous contributions and polling.
- Implement a zero-tolerance policy for discrimination or bullying.



5. CREATE AN ENVIRONMENT WHERE EVERYONE FEELS WELCOME AND RESPECTED

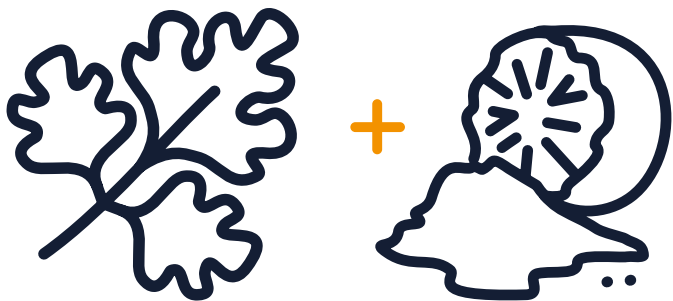
- Create a culture where people are comfortable bringing as much of their true selves to the role as they wish, without fear of judgement.
- By being welcoming, trustee boards can impact the environment and culture in which pension schemes are managed and decisions are made.



Working collaboratively with sponsors

What is also important to consider is that the trustees of occupational pension schemes have a role as stakeholders in the sponsor's business. We have seen that increasingly, institutions in the UK are implementing and embedding diversity, equity and inclusion principles into their workplace and corporate strategy. Given the direction of travel, and the well-understood implications of failing to do so, those companies that do not regard DEI as a core value may struggle to compete for talent and face implications in their financial results.

Trustee board therefore have an additional, tangential role – ensuring that, as key stakeholders, they understand their sponsor's DEI strategy and work to implement consistency with this. In the event that such a strategy is underdeveloped, trustees can consider how they can help raise it up their sponsor's agenda by being alert to and highlighting the risks to the sponsor covenant over the longer term which could arise from losing key talent from the business or other failures.



Fran Bailey (she/her)

LCP Covenant Adviser

My trustee clients have found it really valuable to discuss diversity, equity and inclusion with representatives from their sponsor. Sharing knowledge and experience has helped put the topic into the perspective of the pension scheme membership as well as the strategy of their sponsor's business.

Trustees can also ask their sponsor for support in progressing their own DEI aims and objectives. Sponsors often have influence or control over employer nominated and professional trustee positions and can work collaboratively with trustees to ensure balanced representation of backgrounds, identities, skills and experiences across the board as a whole.

Top tips for sponsors – improving representation through employer nominated and professional trustee positions

Consider the current terms of office for employer nominated trustees.

Engage early with the Chair of Trustees to consider whether the currently appointed trustees remain appropriate and reflect the needs of the scheme. Do the current appointees reflect a diverse cross section of the firm and support your firm's views on diversity and inclusion?

Consider appointing trustees from the wider business.

Historically, many employer nominated trustees have finance or HR backgrounds. New areas of focus for trustees include data protection, cyber security and communications. Those with professional qualifications such as actuaries, accountants and lawyers could also bring a fresh perspective to the advice received from advisers. Appointing trustees from across the broader organisation could introduce new and different skills and views to the trustee board.

Have you reviewed your training needs and skills recently? Do their skills and expertise still reflect the needs of the scheme and your aspirations for the scheme?

Making communications inclusive



David Millar (he/him)
LCP's Head of Communications

There are three key reasons why trustees should focus on inclusive member communications:

1. Being inclusive should mean that your content works for your entire audience. After all, that's what most communications are trying to achieve.
2. Getting it wrong could mean obscuring or even undermining your message. If the language you use or the peripheral content becomes the thing your audience thinks about – because it jarred in some way – your real message doesn't stand a chance.
3. The trustees' content will also reflect upon the sponsor. If the sponsor takes diversity, equity and inclusion seriously, it will want that to be reflected in communications to members about their benefits. If employees receive pensions literature that isn't inclusive, this could have a detrimental impact on their relationship with their employer.

The care trustees and companies take with their member communications is fundamental to building engagement. A slightly misjudged word or two in the first few sentences could make the difference between someone reading an entire communication or dis-engaging from it.



Top tip – Get a second opinion

There's a lot to consider and inclusive language and best practice is fast evolving. Having a wider group available to review communications is invaluable.

Our key suggestions for checking content are:

1. Pass the draft content to as diverse a group of reviewers as possible
2. Use a checklist to help you consider different aspects of inclusion in your writing – you could use our top tips below as a starting point
3. Engage a specialist, such as a diversity consultant or communications adviser, to review

Areas of focus for inclusive communications



PICTURES

Consider - when looked at all together, do your photographs reflect a balanced approach to gender, age, ethnicity, physical characteristics and relationships? Will members feel represented and identify with those depicted?



ICONS

If you are using icons or illustrations that represent people, give careful thought to how they may be interpreted - but that doesn't mean to shy away from them. Making members feel represented and visible in communications can be a powerful tool for improving engagement.



NAMES

Generally, take care to choose names that represent a range of cultures, are gender neutral where possible and that are easy to read.



TITLES

If you don't know someone's preferred title, don't guess - it is often better to avoid using a title. Never make assumptions about the gender of someone's partner unless this is explicitly known and always use gender-neutral language ('spouse' or 'person' instead of 'husband/man' or 'wife/woman').



Areas of focus for inclusive communications



SALUTATIONS

As a general rule, avoid gendered salutations such as “Dear Sir or Madam” and use a generic salutation like “Dear Member” instead.



PRONOUNS

Gendered pronouns are best avoided – avoid pronouns where possible and use the singular “they.”



METAPHOR AND COLLOQUIAL PHRASES

Avoid metaphor, colloquial phrases or using colours as descriptors.



MEDIA AND FORMAT

Consider accessibility requirements and use a range of delivery methods. It can help to ask members how they prefer to receive communications. Avoid colour schemes that could be overstimulating or difficult for colour blind users.



ACCESSIBILITY OF LANGUAGE

Avoid jargon and acronyms and remember that reading levels will vary across membership and English may not be someone’s first language.



Improving representation through member-nominated trustee recruitment

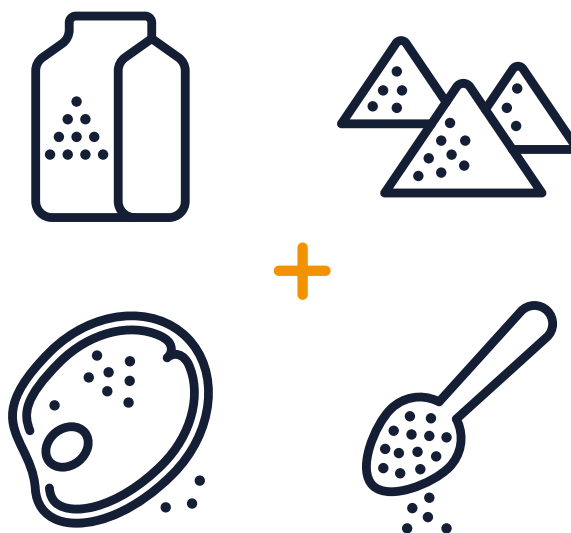
An important first step is for trustees to look to identify any diversity imbalances and gaps in representation on their board. A good way to start is by looking at the membership of the scheme and measuring whether the board adequately represents its diversity (including dependants and other stakeholders). It is then important to consider diversity more widely, and whether the board brings together people with different lived experiences and perspectives.

Trustees can then look to remove or reduce any current obstacles to participating as a member-nominated trustee (MNT) that may be preventing engagement from people with different characteristics or identities. For example, whether the format of interviews or meetings excludes those with caring or childcare responsibilities who may have timing conflicts or be unable to travel. Often there may be unconscious bias present in the trustee recruitment and selection process which may prevent trustees from attracting a diverse group of candidates.

Trustees of occupational pension schemes are required to ensure that arrangements are in place to broadly provide for at least one third of trustees to be member-nominated. In practice, member engagement can be varied and it is not uncommon for incumbents to be reselected without challenge, or for there to be unfilled vacancies due to a lack of applications.



We have set out below some practical suggestions for improving member engagement when recruiting MNTs. We see this as a fantastic opportunity to improve DEI and member representation within a trustee board. Although this guide focuses on trust based occupational pension schemes in the private sector, the learnings can be extended to other groups that undertake nominated selection processes.





Peter Shaw (he/him)

Senior Pensions Management
Consultant

Changing the format of your regular quarterly meetings could drastically improve the accessibility of trustee roles. Individuals who have historically been unable to put themselves forward due to other commitments, for example due to childcare or caring responsibilities, may find that a move to a hybrid (ie some virtual, some in person) meeting format makes the role much more appealing and accessible.



Top tips for recruiting member nominated trustees



Ensure your recruitment communications are welcoming and in plain English.

Focus on the positives such as the role being rewarding, educational, and fulfilling and the wider support available rather than the negatives and onus on individuals, ie liability of trustees, technical content, requirement for specialist skills, etc.



Maximise your MNT arrangements. Consider whether improvements can be made to encourage nominations from a broader section of membership by reducing the requirements for endorsements, removing constituencies or enabling electronic applications.



Consider new ways of communicating with members. Promote a nomination process or vacancy via a company intranet, website or through use of video. Engage with sponsors and seek their assistance to promote MNT vacancies internally and ensure that non-employed members receive the information too.



Case studies are a great way to personalise a role. They can demonstrate, particularly to younger or less experienced members, what the role of a trustee entails and what support is given. For example, existing trustees can highlight to prospective trustees the training they received and the role professional advisers play in the management of a scheme.



Trustees can proactively promote vacancies. Consider whether you know any members that possess expertise that the current board may be lacking. Employed trustees in particular should encourage colleagues with desirable skills, experiences or perspectives to take part.



Consider whether a selection panel may be more appropriate than a ballot. This is particularly valuable if you are looking for specific skills or expertise. A ballot will by its nature favour more confident and outgoing individuals that can secure votes. Equally, it may favour larger constituencies within the scheme if, for example, your scheme has multiple sections due to past mergers and acquisitions, or the sponsor is very large and has multiple legal entities. If you opt for a selection panel consider the PLSA's suggestions in respect of recruitment.



Consider longer-term adjustments to your meeting schedule. For example, if you retain some virtual meetings following the pandemic, you may reduce the time and travel commitments for trustees. This could encourage applications from candidates that have not previously been able or willing to attend long in-person meetings, such as those with caring responsibilities or employees that may not have as much free time. The PLSA have set out some helpful suggestions in respect of scheduling meetings in their Diversity and Inclusion Made Simple guide.

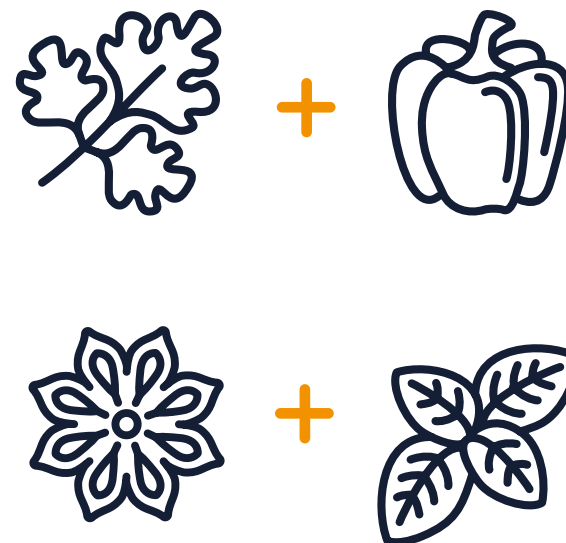
What are the challenges?

Pensions are complex - for many members they may feel like a distant consideration and are often undervalued. Management of pension schemes often involves technical content, requiring actuarial, investment, legal and other specialist advice. A strong financial understanding is generally desirable for trustees and historically trusteeship has required a significant time commitment to attend meetings in person, often lasting full days. These are all factors that may put off individuals from applying, particularly those that may (incorrectly) feel that they do not have suitable skills or experience, or those that may have difficulty making time for trustee commitments around work or family life.

TPR has previously highlighted the importance of a trustee board having the skills, knowledge and experience to run a scheme well. However, this

requirement is often mis-focused on individuals instead of the overall balance of the board. In its 21st Century Trusteeship campaign, the Regulator recommends that when recruiting and selecting trustees, trustees should think about the needs of the board as a whole.

Trustee boards can consider their needs by undertaking a skills assessment or a board effectiveness review (LCP's Trustee Training Needs Analysis Tool can help here). This can help reassure boards where specific technical knowledge and skills are already represented, and support discussions about filling gaps in diverse representation. Many of the historical challenges about significant time-commitments and travel requirements can now be addressed by learnings arising from the Covid pandemic.



DEI in investment decisions

Investment decisions and managing investment risks are key for pension scheme trustees.

Trustees often delegate investment decisions to committees with a tendency to appoint those with specialist financial knowledge and expertise. In the same way that embedding DEI can be a key tool for general decision-making, we believe considering DEI within these committees should lead to better outcomes. We have shared some top tips for investment decision-making on the right side of this page.

Further, we believe that considering DEI within asset manager practice is also incredibly important.

Diversity in Manager Research

We know diversity is a core building block of high-performing teams, and research shows this holds true for asset management. Several studies have found that diverse asset managers have better performing funds. Whilst it is accepted in the investment industry that diversifying a portfolio leads to lower risk, increasingly trustees and other investors are beginning to focus on diversity within the teams running these portfolios as well.

LCP has recently supported the creation and launch of a new Asset Owner Diversity Charter published by the Diversity Project. The Charter has been formulated by some of the largest pension schemes in the UK and aims to tackle the lack of diversity in fund management. The Diversity Charter offers a toolkit for analysing how asset managers are performing on diversity and inclusion – and where they can improve.



Clay Lambiotte (he/him)

Head of Investment at LCP

The challenges of diversity and inclusion go beyond any single firm. That's why it has been important for us to work together with our peers across the UK and internationally to explore how we can accelerate progress across our entire industry.

By signing up to the Asset Owner Diversity Charter, signatories are committing to take account of diversity and inclusion records from fund managers when choosing new partners.

Diversity questions will form part of the overall assessment scores for each bidder, meaning fund managers wanting to work with these clients will have to disclose information and demonstrate real devotion on how they are tackling diversity and inclusion within their workforce.

LCP has joined as a signatory and is encouraging other advisory firms and trustee boards to consider signing up as well.

Top tips for investment decision-making (or any group decisions!)

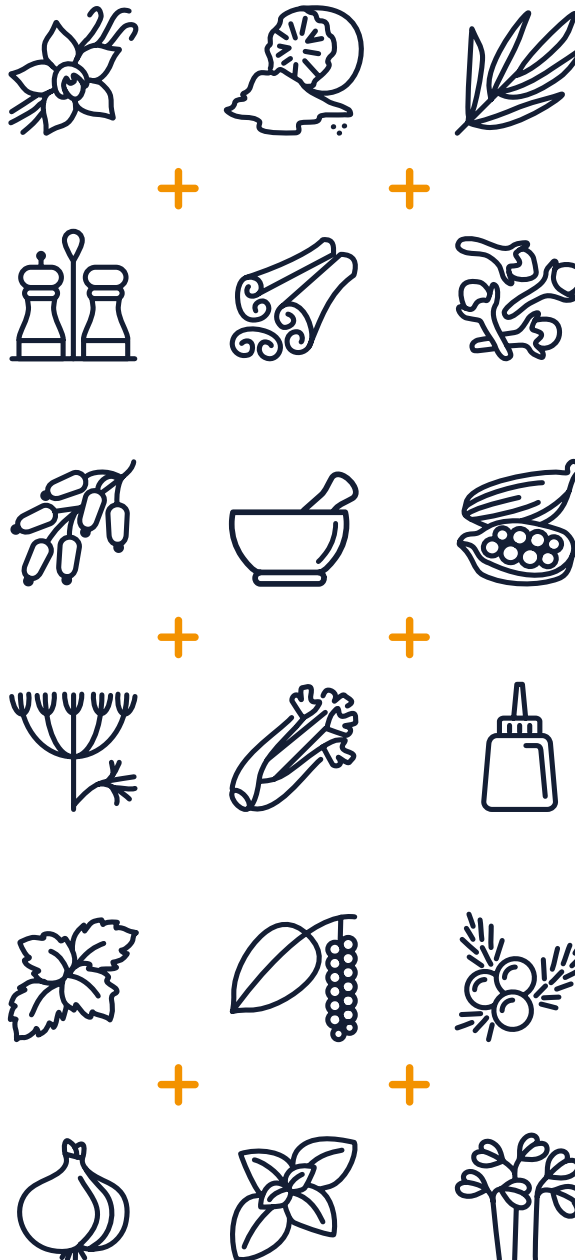
1. Ensure all individual trustees have input – rotating the chair at meetings where key investment decisions are made could help ensure the group is not led by one voice.
2. Assign a “devil’s advocate” before the meeting to challenge key investment decisions and highlight potential risks.
3. Have the person with the greatest “power” or influence voice their opinion last to ensure it does not impact other trustees’ views.
4. Write down individual opinions on a matter first, then read out all opinions and discuss each one.
5. Consider information asymmetry: Does everyone have the same level of information and, if so, are they interpreting it in an appropriate way? This is particularly important when there are differences in expertise on the board.

Signatories also commit to including diversity as part of the Asset Owner Diversity Charter ongoing manager monitoring, and a questionnaire will be provided to managers annually for completion. A key aim of the group was to create standardisation to improve disclosure. The charter questionnaire has been developed to be progressive and equip signatories to hold firms to account for ongoing progress. It goes beyond asking about the strategic approach, to identify how managers look at diversity and inclusion across five key areas - industry perception, recruitment, culture, promotion and leadership.

The new charter has the support of government, which welcomes the industry led approach.

We need asset managers to be more representative of the savers they represent. It is good to see pension schemes taking a lead in developing this charter and committing to work with the wider investment industry to improve diversity. I encourage all pension schemes to sign up.

Guy Opperman, Minister for Pensions and Financial Inclusion



Harnessing trustee influence as investors

Occupational pension scheme trustees are significant market players, and where they choose to invest scheme assets (or the funds they make available for DC members) can make a big difference to the market. Ethical and impact funds can allow trustees to invest in companies who may be more supportive of DEI, however for now there is no clear definition of what constitutes an ethical investment and a lack of standardised reporting methods or standards (particularly around DEI factors). This means that currently, this may have limited impact.

Many trustees will want to instead use the power of their assets to influence policies, DEI strategies, or corporate board diversity. However, pension trustees, often as investors in pooled funds, have historically been limited in the level of direct involvement and influence they have over the listed companies they invest in. With increasing focus on environmental, social and corporate governance (ESG) issues, we are seeing a significant and welcome shift in this area.

Initiatives like the Association of the Member Nominated Trustees (AMNT)'s Red Line Voting approach seek to increase engagement and voting with listed companies to empower pension schemes to be more responsible investors. Red Line Voting supports assets owners, including pension scheme trustees, to adopt voting instructions covering a range of ESG factors for fund managers to follow.

In October 2021, BlackRock – the world's largest money manager – also announced plans to give large clients greater direct say in casting votes of shares, which for many companies may include voting on workforce diversity matters. The move has been welcomed by many including the AMNT, who has called on the rest of the fund management industry to follow in the same direction.

Guidance from TPR

In June 2021, the Pensions Regulator (TPR) published its Equality, Diversity & Inclusion Strategy, which sets out how it will embed diversity and inclusion throughout its own organisation and how it intends to support governing bodies to do the same.

To assist with developing their strategy, TPR has created the Diversity & Inclusion Industry Working Group with representatives from across the pensions industry, Government and other regulators. This working group with a number of subcommittees will input into TPR's strategy and will assist it to deliver what it has set out to achieve. LCP is proud to be a member of this Working Group and is keen to support industry-wide improvements in this area.

Although TPR's strategy focuses on the changes which it will be making within its own organisation to build a more fair and inclusive culture, it also highlights its desire to influence and drive change across the pensions industry in this space. TPR intends to work with and influence the governing bodies that manage workplace schemes (such as trustee boards), providing positive support and encouragement to help them become more diverse and inclusive in their decision-making.

TPR believes that, with more people saving for their retirement, there has never been a more important time for pension schemes to be well-run, with good governance and decision-making at their heart.

Although TPR is not proposing any specific actions for trustees to take at this time relating to diversity, the importance of diversity has been consistently raised in guidance. Its 21st Century Trusteeship programme notes "a skilled, engaged and diverse board led by an effective chair" as one of the main things necessary to support good decision-making. We therefore believe that diversity and inclusion is something that all trustees should be considering now and that it is a necessary element of ongoing good governance and robust decision-making.

We recognise that change is not easy and that it may be more difficult for some boards than others to address these topics. We therefore look forward to working with TPR to help encourage and support trustees on their journeys.





Rachika Cooray (she/her)

Head of Governance and member of TPR's DEI Working Group

The Pensions Regulator is focused on creating a fairer and more inclusive culture across the pensions industry. We think it is vitally important for trustee boards to close the diversity gap in trusteeship and strengthen decision making by taking small but important steps on a regular basis to make diversity and inclusion a key aspect of effective trusteeship.



What are other regulators doing?

Diversity, equity and inclusion are increasingly being addressed by regulatory bodies across different industries.

In July 2021, the FCA, Prudential Regulation Authority (PRA) and Bank of England published a discussion paper setting out regulatory plans to improve diversity and inclusion in financial services.

In the discussion paper, the Regulators supported the general benefits of embracing diversity and inclusion for decision-making groups.

They also touched on the importance of regulation and the risks of inaction:

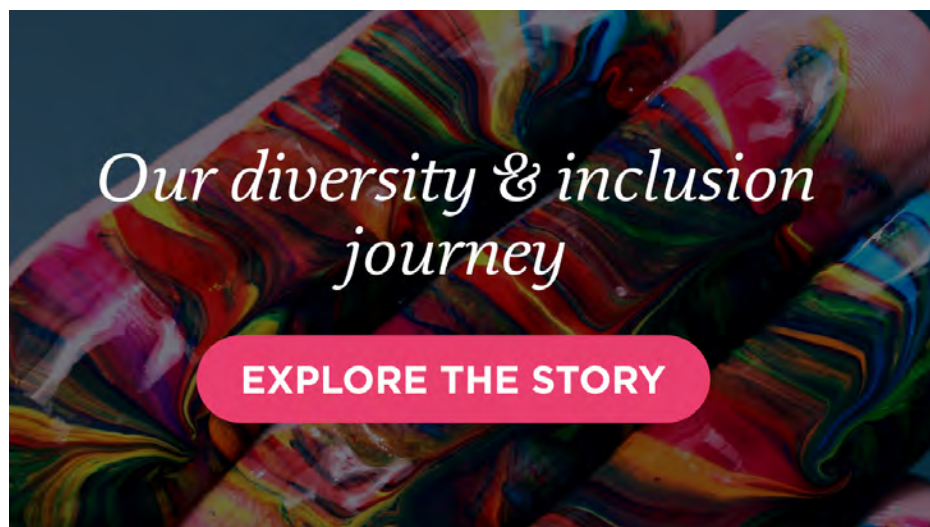
"We expect to see diversity and inclusion become part of how we regulate and part of how the UK financial sector does business. For the Bank of England and the PRA, the key consideration is about the linkage between insufficient diversity and inclusion and groupthink, which can present a serious risk to safety and soundness."

The FCA issued a further consultation, 'Diversity and inclusion on company boards and executives communities', in July 2021. This has now been followed by a final policy decision published in April 2022 introducing new Listing Rules to improve transparency about diversity on company boards and within executive management for in scope companies regulated by the FCA.

You can read our response to the Regulator's discussion paper online.

Diversity, equity and inclusion at LCP

At LCP we strive to build an inclusive workplace where everyone is valued and can truly fulfil their potential, and we believe the best way to do this is by embracing all forms of diversity. We are proud of our ongoing commitment to diversity, equity and inclusion.



Supporting diversity is the right thing to do, and it's also the smart thing to do. Nurturing a people-first, inclusive and diverse workplace supports providing our clients with the best possible service as our people want to go the extra mile. We believe that:

- A diverse and inclusive organisation is a better place to work as working together we will create an environment where everyone can thrive.
- Diverse and inclusive organisations are better at decision making and thought leadership.
- Achieving greater diversity is important to many of our clients, to reflect their values and the values of their employees.
- A diverse business will ultimately be a more successful business.

LCP'S PEOPLE PRINCIPLES PLANT



This is why DEI is at the core of our People Principles, driving how we work with our people and making sure we recruit and retain the best talent. We want to create a level playing field where diversity is truly valued and all are included. We know this is also very important to many who work at LCP – over 25% of our recent graduate and intern applications mentioned LCP's approach to DEI being a key reason that they want to work with us.

Our DEI Steering Group is responsible for driving our strategy, and our four thriving, people-led Networks run a high-octane programme of initiatives to increase awareness and help break down the barriers that can hinder retention and progression. In the past two years alone we have released over 19 internal bitesize DEI videos and hosted over 4,500 attendees across 24 internal and 3 external events.

We are proud of how far we've come on our DEI journey and were very pleased to have won several industry awards over the past few years. However, we also recognise that we are not done yet and continue to learn more and improve further. We see DEI as a collaborative effort to address systemic inequality, improve representation and work toward building a more inclusive sector and society, and we were very pleased to be part of a wide range of initiatives across the pensions, insurance and investment industries. This includes representation on groups run by the IFoA, the Diversity Project, TPR, the PLSA and numerous others. We also co-founded O:Pen, the new pensions industry LGBT+ Network and have worked with a number of other groups and charities, whether that be as member organisations, fundraising, or to receive training.

Our Networks



Organisations we work with



A selection of our awards



Contact us

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At LCP, our experts provide clear, concise advice focused on your needs. We use innovative technology to give you real time insight & control. Our experts work in pensions, investment, insurance, energy, health and financial wellbeing.

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