Trustee Governance: learning from the Corporate Governance Code

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Trustee boards have some very specific responsibilities, but in many ways they are not that different to corporate boards. Both make difficult decisions regarding millions of pounds that impact thousands of people, whilst only meeting infrequently.

The Financial Reporting Council refreshed its Corporate Governance Code in 2018 and trustees aiming for higher governance standards can learn a lot from it. The 2018 update to the Code broadens the definition of governance, including emphasising the need for positive relationships between stakeholders, a clear purpose and strategy, high quality board composition, and a focus on diversity.

The Code offers good principles, as well as useful supporting guidance on board effectiveness. By just replacing director with trustee, company with scheme, and stakeholder with member, you can challenge yourself under each heading from the Code. Most of the rest of this article is made up of these - only very slightly tweaked - quotes.

You can download the documents here:
The UK corporate governance code
Guidance on board effectiveness

// Board Leadership & Purpose

The board should establish the purpose, values and strategy.

The board should ensure that the necessary resources are in place.

The board should establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

Ask yourself:

- *Is the balance between the focus on immediate issues and long-term success appropriate?*
- *Are we using scenario analysis to help us assess the strategic importance and potential impact of our challenges and opportunities?*
- *Have we listened properly to the member voice? What impact has this had on our decisions?*

// Division of Responsibilities

The chair is pivotal in creating the conditions for overall board and individual director effectiveness.

Directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold advisers to account.

// Composition, Succession and Evaluation

The board and its committees should have a combination of skills, experience and knowledge.

Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives.

Succession plans should consider:

- *Contingency planning – for sudden and unforeseen departures*
- *Medium term planning – orderly replacement of current board members*
- *Long term planning – the skills needed to deliver the strategy now and in the future.*

// Audit, Risk & Internal Control

The board should establish procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks they are willing to take in order to achieve the long term strategic objectives.

The last area of the Code is Remuneration; one area where trustees have a different role to corporate boards. Even so, reviewing your trustee remuneration policy should still be a part of your regular process.

If you want to go further in using the Corporate Governance Code as a benchmark, ask what training and good practices your corporate board has? Can they be used for your trustee board? It may be time to consider a more in-depth internal assessment or to seek an external evaluation of your governance.