FlintGroup

LGIM investment strategy, engagement and voting

Investment Manager's alignment of long-term performance with the Trustees' policies.

The Trustees have a long-term objective to achieve which will allow them to remove the large majority of investment risk from the employer. This is known as reduced dependency, previously known as self-sufficiency. The trustees have agreed a journey plan so as to achieve within 10 years the position where all the benefits can be secured and guaranteed with an insurance company. This is known as a buy out and when that is achieved and all the benefits secured, the scheme can be wound up as all members will have individual pension policies.

The Trustee's use Legal and General Investment Management (LGIM) as their investment manager. LGIM is one of the biggest investment houses in Europe with approximately £1.2 trillion of investments under management. The Trustees use LGIM's diversified growth fund (DGF) and Index Linked Gilt fund which are passive investments. The investments are invested in a number of asset classes for diversification but the investments are on a passive basis. This means that the investments are made in an index e.g. FTSE All Share and this is done by investing on the basis of all organisations or investments in the index in the same proportion as the index is constructed. LGIM cannot choose which investments to make or not make. The result is that the investments move very closely in line with the market but the investment costs are very low.

By using the DGF and the Index Linked Gilts Fund, LGIM is working fully in line with the Trustees' long-term low risk strategy.

Shareholder engagement and voting

LGIM invests in all companies/investments in the index (passive investment) and therefore cannot pick and which investment to make or not make. Because of this LGIM cannot engage and directly vote directly on behalf of the Trustees.

As LGIM is an extremely large investment house it is very active in shareholder engagement and voting. The website link below sets of LGIM's approach.

https://update.lgim.com/ao2020