S&P Dow Jones Indices

A Division of S&P Global

Index Administration Services (IAS) - LGIM Matching Plus Index Family

Benchmark Statement

Legal & General

INVESTMENT MANAGEMENT

Apr 2024

1) General Disclosures

Benchmark family name	LGIM Matching Plus Indices
Benchmark administrator	**IHS Markit Benchmark Administration Ltd**. (**IMBA**)
Date of initial publication of this document	1 August 2023
Date of last update to this document	18 April 2024
ISIN (where available)	There are presently no ISINs available or accessible for the benchmarks covered by this Benchmark Statement.
Determination by contributions of input data	IMBA does not receive contributions of "input data" (as defined by the **BMR**) in relation to this family of benchmarks.
Qualification of the benchmark family	This benchmark statement covers non-significant benchmarks as defined by the BMR. However, IMBA administers this benchmark family as though it were 'significant' (as defined by the BMR).

2) Market or Economic Reality of the Benchmark

General description of the market or economic reality

LGIM Matching Plus Indices reflect the performance of fixed income portfolios including gilts, Inflation-Linked gilts, GBP interest rate swaps and GBP inflation swaps. Both gilts and Inflation-Linked gilts are UK Government liabilities denominated in Pound sterling, issued by HM Treasury and listed on the London Stock Exchange.

- A gilt also known as a conventional gilt, is a liability of the Government which guarantees to pay the holder of the gilt a fixed cash payment (coupon) every six months until the maturity date, at which point the holder receives the final coupon payment and the return of the principal.
- Inflation-linked gilts or index-linked gilts differ from conventional gilts in that the semi-annual payments and principal are adjusted in line with the UK Retail Prices Index (RPI). This means that both the coupons and the principal paid on redemption of these gilts are adjusted to take account of accrued inflation since the gilt was first issued.
- GBP interest rate swaps in LGIM Matching Plus Indices are zero coupon fixed leg versus floating leg swaps where the floating leg is referenced to daily compounded Sterling Overnight Interbank Average Rate (SONIA).
- GBP inflation swaps in LGIM Matching Plus Indices are swap contracts in which a fixed payment on a notional is exchanged for a payment at the rate of RPI growth.

Geographical boundaries of the market or economic reality

Gilts and inflation-linked gilts are debt issued by the UK government and traded on the London Stock Exchange. There has been no default on such bonds historically. GBP interest rate swaps and GBP inflation swaps are traded OTC. GBP interest rate swap trading levels are affected by overnight borrowing rates among large banks, GBP inflation swaps trading levels are affected by expected RPI levels.

Other relevant information relating to the market or economic reality

The LGIM Matching Plus Indices are building blocks to create tailored Liability-Driven Investment (LDI) strategies. These indices cover a full maturity range and include both derivative-based (swap-based) and bond-based (or gilt-based) benchmarks.

The methodology

The LGIM Matching Plus Indices are designed for use by pension schemes to create tailored Liability Driven Investment strategy (LDI) solutions to hedge Sterling interest rate and Sterling inflation risk of pension liabilities. Each Matching Plus index is composed of one, two, four or six interest rate instruments, including Gilt, Inflation-Linked Gilt, GBP interest rate swap, and GBP inflation swap.

By combining multiple Matching Plus indices, custom solutions can be created to best match various pension schemes' hedging objectives.

All indices represent leveraged positions. Each index includes one or more securities and multiple cash balances, namely actual cash holdings, effective repo loan positions and cash collateral/margining positions. The net amount of cash held within each index is controlled by the target leverage set for that index. There is no scheduled rebalancing for these indices. All index components remain the same in each index with initial position sizes set at initiation of the index. While the absolute sizes will change over time due to re-leverage (also called rebalancing), the relative holdings of the securities will not change.

The Index Methodology details the determination methodology for the LGIM Matching Plus Index Family and is made available to stakeholders upon request. Legal & General Investment Management retains the intellectual property to the LGIM Matching Plus Index Family. Any future changes to the determination methodology or the termination of one or multiple LGIM Matching Plus Index Family, are subject to the IAS change management and consultation process.

All benchmark methodologies are assessed prior to their implementation by IAS with respect to their methodological and operational complexity and risks associated with the required data inputs. IAS has put in place policies and procedures applicable to all IAS administered indices ensuring appropriate level of risk management, error identification resolution, handling of market disruptions, escalation to the Index Committee, periodic review of the fitness of the benchmarks. Additional benchmark-specific governance and control arrangements may be put in place as deemed appropriate by the Index Committee. Policies and procedures are documented in the administrator Control Framework.

Rationale for adopting the methodology

The LGIM Matching Plus Indices are designed for use by pension schemes to create tailored Liability Driven Investment strategy (LDI) solutions to hedge sterling interest rate and sterling inflation risk of pension liabilities. LDI is an investment strategy for a company or individual based on the cash flows needed to fund future liabilities. LDI is designed for situations where future liabilities can be predicted with some degree of accuracy. The Matching Plus Indices cover the full maturity range and offer both derivatives-based (or swap-based) and bond-based (or gilt-based) hedging solutions. By combining multiple Matching Plus indices, custom solutions can be created to best match various pension schemes' hedging objectives.

All indices represent leveraged positions. Each index includes one or more securities and multiple cash balances, namely actual cash holdings, effective repo loan positions and cash collateral/ margining positions. The net amount of cash held within each index is controlled by the target leverage set for that index. The indices will re-leverage when there is a breach in the leverage; if the Upper boundary is breached (representing overleverage) cash is injected and the position is adjusted. Similarly, if the lower boundary is breached representing underleverage, a cash amount is withdrawn, and the positions of the underlying instruments are also adjusted. This rebalance will take place a number of days post the trigger date.

3) Potential Limitations of the Benchmark

Circumstances in which we would lack sufficient input data to determine the benchmark according to the methodology

Scenarios may arise where underlying input data is not available in order to determine the index, such as if there is a disruption to a particular underlying market that prevents price discovery from taking place. Also, underlying data is provided by third party data providers. Failure of those providers may impact the administrator's ability to determine benchmarks in accordance with the applicable methodology. Generally, in the case of a market or data source disruption, the administrator will either proceed with or defer the determination of the respective index levels in accordance with the relevant Index Methodology or actions determined by the IAS **Index Committee**. Such scenarios remain rare. The Index Committee serves as the index governance body tasked with ensuring that:

- The index objective is clearly stated, and the index is expected to achieve its objective.
- The procedures documented in the methodology are transparent and clearly described.
- The eligible universe, selection criteria and weighting method for constituents are fully detailed and described.
- All aspects of an index – data, calculation, maintenance, presentation and governance – are consistent with IMBA's practices and any exceptions are explicitly discussed and decided upon by the Index Committee.

Circumstances in which the degree of liquidity of the underlying market becomes insufficient to ensure the integrity and reliability of the benchmark determination according to the methodology

There may be instances where the liquidity in an underlying market is not sufficient to adequately represent the economic reality that the index seeks to measure.

Potential liquidity issues may be identified as part of the standard input data validation (e.g. abnormally long periods of stale prices) or may be identified in the context of market disruptions or brought forward through third party index owners, such potential issues are escalated to the Index Committee who will assess and determine the appropriate course of action in such cases.

4) Exercise of Expert Judgment and Discretion

Position of each function or body that may exercise discretion in the calculation of a benchmark and governance thereof

The administrator's indices are rules based and do not typically permit the use of discretion unless there are exceptional circumstances that are not addressed by either the index rules or an administrator policy. Such scenarios may include (but are not limited to):

- Failure of data providers;
- Significant changes to the underlying market;
- Action by governmental or regulatory bodies that causes market disruption; and
- Events beyond human control.

In the event that IMBA needs to take action or make a decision that has not been foreseen by the methodology or associated policy, the Index Committee conveys and makes a determination that is consistent with the objective of the index in question and that causes minimal disruption to index stakeholders.

Ex-post evaluation process

As above, the exercise of judgment or discretion in the calculation of the LGIM Matching Plus Indices would need to be approved by the Index Committee prior to the publication of the LGIM Matching Plus Indices to ensure that no conflict of interest arises and the index continues to reflect the underlying economic reality. A record of the Index Committee decision detailing the nature of the expert judgment or exercised discretion is maintained.

5) Methodology Changes and Benchmark Cessations

Methodology Changes

When a material change to the index methodology is considered, IMBA publishes a consultation inviting comments from market participants. The following are examples of when a methodology change may be deemed material:

- Methodology changes that impact the index objective, for example altering rules determining the index universe, the selection of its constituents or the weighting of constituents, or
- the Index Committee determines if a proposed change is material.

Consultations are announced through a number of channels, including on the website. Under normal circumstances, the consultation period is open for a minimum of 30 days from publication. In instances where a material change is deemed to be time sensitive, the Index Committee may determine that a shorter consultation period is required. All feedback from consultations is reviewed and considered before a final decision is made by the Index Committee.

Internal Reviews of Methodology

In addition to its daily governance of indices and maintenance of index methodologies, the Index Committee reviews, at least once within any 12-month period, the index methodology to ensure the indices continue to achieve the stated objectives, are transparent, and that the data and methodology remain effective. This is the Annual Review Process.

In the case that an index methodology is reviewed off cycle from the Annual Review, the Index Committee reserves the right to cancel the Annual Review if the requested review covers all the relevant issues.

Possible impact of Changes or the Cessation of Benchmarks

Where it consults, IMBA will make reasonable efforts to address stakeholder concerns expressed in response to consultations and to allow for reasonable advance notice for stakeholders to accommodate changes, unwind existing positions in contracts/instruments referencing the benchmark, or seek an appropriate substitute benchmark.

There may be circumstances where external factors beyond the control of IMBA could lead to short-term changes or the termination of the Index, e.g. where a continuous disruption of the underlying market or an underlying data point requires a change to the methodology or impacts the viability of the index. In such cases, the administrator may shorten the notice period as is appropriate to the urgency of the situation.

Further details of the **S&P Dow Jones Indices Index Cessation Policy** can be found here.

6) Key Terms

BMR	means the retained EU law version of the Benchmarks Regulation ((EU) 2016/1011) that has applied in the UK from the end of the Brexit transition period (11pm on 31 December 2020).
Board	means the Board of Directors of IMBA.
ESG	means Environmental, Social, Governance.
IHS Markit Benchmark Administration Ltd. (IMBA)	means the administrator, which is the UK entity authorised by the FCA responsible for the daily provision of the LGIM Matching Plus Indices.
Index Committee	means the committee with responsibility for overseeing day to day administration of the LGIM Matching Plus Indices.
Internal Oversight Committee	means the Internal Oversight Committee, the independent function which coordinates and directs IMBA's benchmark oversight function.

7) Additional Information

Updates to this Benchmark Statement

This Benchmark Statement will be updated whenever the information it provides is no longer correct or sufficiently precise and at least where:

- there is a change in the type of the benchmark;
- there is a material change in the methodology for determining the benchmark or, where the Benchmark Statement refers to a family of benchmarks, in the methodology for determining any benchmark within the family of benchmarks.

This Benchmark Statement will be updated at least every two years.

Contact us

For more information, including to request index specific methodologies, please visit https://ihsmarkit.com/products/index-administration-services.html or contact us at mk-indexadministrationoperations@ihsmarkit.com.

8) Consideration of ESG Factors

Type of benchmark family	Other benchmarks
Name of the benchmarks	LGIM Matching Plus Indices
Does the benchmark pursue ESG objectives?	No
Where the answer to the above question is negative, is any EU Climate Transition Benchmark or EU Paris-Aligned Benchmark available in the portfolio of IMBA or does IMBA havebenchmarks that pursue ESG objectives or benchmarks that take into account ESG factors?	Yes

9) Disclosure of the Alignment with the Objectives of the Paris Agreement

Does the benchmark align with the target of reducing carbon emissions or the attainment of the objectives of the Paris Agreement?	No
The temperature scenario, in accordance with international standards, used for the alignment with the target of reducing GHG emissions or attaining of the objectives of the Paris Agreement.	Not applicable.
The name of the provider of the temperature scenario used for the alignment with the target of reducing GHG emissions or the attainment of the objectives of the Paris Agreement.	Not applicable
The methodology used for the measurement of the alignment with the temperature scenario.	Not applicable
The hyperlink to the website of the temperature scenario used.	Not applicable
Date on which information has last been updated and reason for the update.	Not applicable

10) Disclaimer

The LGIM Matching Plus Indices are proprietary to Legal and General Investment Management. No use or publication may be made of the LGIM Matching Plus Indices, or any of its provisions or values, without the prior written consent of Legal and General Investment Management.