September 2020

The Interpublic Group of Companies, Inc.

Interpublic Pension Plan

Statement of Investment Principles

This document applies only to IPG’s UK Defined Benefit Pension Plan

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1. Introduction

1.1 The Trustee of the Interpublic Pension Plan (the "Plan") has drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 ("the Act") and subsequent legislation. The Statement is intended to affirm the investment principles that govern decisions about the Plan's investments.

1.2 In preparing this Statement, the Trustee has obtained written advice from the Plan's investment consultant, Mercer Limited ("Mercer"). The Trustee will obtain similar advice from its appointed investment consultant whenever it reviews this Statement.

1.3 The Trustee's investment powers are set out within the Plan's governing documentation and relevant legislation. The Trustee notes that, under the Plan's trust deed and rules, as well as legislation, it is responsible for the Plan's investment arrangements.

2. Plan Governance

2.1 An Investment Sub Committee ("ISC") has been established to:

- make recommendations to the Trustee concerning its investment strategy;
- make recommendations to the Trustee concerning the selection of investment advisors and managers;
- monitor investment advisors and managers; and
- advise the Trustee on changes to this Statement.

Further details of the responsibilities of the ISC are contained in the *Investment Sub Committee Terms of Reference* document.

2.2 The Trustee has appointed Mercer, a firm of professional consultants to provide advice to the Trustee and the ISC. The Trustee also takes advice as appropriate from the scheme actuary and other professional advisers.

2.3 The investment managers are responsible for day-to-day management of the Plan's assets in accordance with mandates agreed with the Trustee. They have discretion to buy, sell or retain individual securities in accordance with these mandates.

2.4 The scheme actuary performs a valuation of the Plan at least every three years, in accordance with regulatory requirements. The main purpose of the actuarial valuation is to assess the extent to which the assets cover the accrued liabilities and to provide a basis for setting an appropriate funding strategy for the Plan.

3. Choosing Investments

3.1 The process for choosing investments is as follows:

- identify appropriate investment objectives;
- agree the level of risk consistent with meeting the objectives set; and
- construct a portfolio of investments that is expected to maximise the return (net of all costs) given the targeted level of risk.

3.2 In considering the appropriate investments for the Plan, the Trustee or the ISC obtains and considers the written advice of Mercer, who the Trustee believes to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of section 36 of the Pensions Act 1995 (as amended).

4. Investment Objectives

4.1 The Trustee must invest the Plan's assets in the best interests of the members and beneficiaries, and in the case of a potential conflict of interest, their sole interest, taking into account the appropriate level of risk, the likelihood of return, the Plan's liabilities and the nature of those liabilities.

4.2 In setting risk and return objectives, the Trustee recognises that the level of investment risk and return targeted are dependent on the underlying asset class assumptions used. These assumptions can vary over time. The Trustee would expect to review the appropriateness of its objective at least every three years, following the results of the most recent triennial Actuarial Valuation of the Plan.

5. Risk Management and Measurement

5.1 There are a number of risks to which any investment is exposed. The Trustee recognises that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Plan's liabilities as well as producing more short-term volatility in the Plan's funding position.

5.2 In addition to targeting an appropriate overall level of investment risk, the Trustee seeks to spread risks across a range of different sources, believing that diversification limits the impact of any single risk. The Trustee aims to take on those risks, for which a reward, in the form of excess returns, is expected over time.

5.3 There are various risks to which any pension scheme is exposed, which the Trustee believes may be financially material to the Plan over its anticipated lifetime The following risks are recognised and considered by the Trustee:

- **Mismatch risk** - The primary risk upon which the Trustee focuses is that arising through a mismatch between the Plan's assets and its liabilities. The Trustee has implemented a bespoke LDI solution to help it manage a portion of the mismatch risk.

- **Sponsor Covenant risk** - the financial capacity and willingness of the Sponsoring Company to support the Plan is a key consideration of the Trustee and is reviewed on a regular basis.

- **Diversification risk** - The Trustee recognises the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustee aims to ensure that the asset allocation policy results in an adequately diversified portfolio.

- **Concentration risk** - The Trustee is also aware of concentration risk which arises for example when a high proportion of the Plan's assets are invested in securities, whether debt or equity, of the same or related issuers or in the same or similar industry sectors. The overall investment arrangements are intended to provide an appropriate spread of assets by type and spread of individual securities within each asset class.

- **Liquidity risk** - The Trustee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the long-term investment horizon, the Trustee believes that a degree of liquidity risk is acceptable, given the potential additional return. The majority of the Plan's assets are realisable at relatively short notice.

- **Manager risk** - The Plan's assets are invested with a number of managers. Allocations to different managers increase the level of diversification at the manager level.

- **Regulatory and political risk** - Across all of the Plan's investments, there is the potential for adverse regulatory or political change. Regulatory risk arises from investing in a market environment where the regulatory regime may change. This may be compounded by political risk in those environments subject to unstable regimes. The Trustee will attempt to invest in a manner which seeks to minimise the impact of any such regulatory or political change should such a change occur.

- **Exchange rate risk** - This risk arises from unhedged investment overseas. The Trustee may, from time to time, hedge currency exposures.

- **ESG factors** – the risk associated with Environmental, Social and Governance ("ESG"). The risk that ESG issues, including climate change, may have substantive impacts on the global economy and subsequently investment returns. Further information on the Trustee's policies on managing this risk is set out in section 12.

- **Non-financial matters** - Including but not limited to members' views in relation to social and environmental impact and present and future quality of life of the Plan's beneficiaries, are not currently taken into account in the selection, retention and realisation of investments.

5.4 The documents governing the appointment of each investment manager include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Plan. The Investment Managers are prevented from investing in asset classes outside their mandate without the Trustee's prior consent.

5.5 Arrangements are in place to monitor and undertake engagement activities in respect of the Plan's investments to help the Trustee check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Trustee meets with the Investment Managers from time to time, and receives regular reviews from the Investment Managers and the Investment Consultant. Further information on the Trustee's monitoring of and engagement with the Plan's investments is set out in section 11.

5.6 The safe custody of the Plan's assets is delegated to professional custodians (either directly or via the use of pooled vehicles).

5.7 Should there be a material change in the Plan's circumstances, the Trustee will review whether (and to what extent) the investment arrangements should be altered; in particular whether the current risk exposure remains appropriate.

5.8 There are several ways in which the level of risk being taken is monitored and also mitigated where possible. These include:

- The ISC will commission regular investment strategy reviews to be undertaken by their investment advisor. Amongst the areas of focus will be the potential future spread of funding levels and surplus or deficits. This analysis helps the ISC decide on a suitable level of risk to take within the Plan's strategic asset allocation. Such analysis is also the basis for deciding the overall split between growth and defensive assets, and also within the growth portfolio, between equity and alternative investments.

- As part of the investment strategy reviews, the ISC will review the level of liability mismatch and decide on a suitable level of hedging. The bespoke LDI solution allows the Trustee flexibility to increase the hedge ratio on a capital efficient basis should attractive market opportunities arise.

- The ISC will receive regular reporting, both in terms of manager performance and also the continued suitability of the incumbent managers, from their Investment Consultant. Such regular reporting also includes information on the level of direct and indirect self-investment.

6. Portfolio Construction

The Trustee has adopted the following control framework in structuring the Plan's investments. This is subject to the overriding constraint that, at the total Plan level, the expected level of risk is consistent with the investment objectives agreed by the Trustee:

- There is a role for both active and index-tracking (or passive) management. Passive management may be used for a number of reasons, including:
  - to diversify and reduce risk;
  - to invest in markets deemed efficient where the scope for active management to add value is limited; or
  - in order to minimise currency risk (where practical) by hedging in this way.

- At the Plan level and within individual manager appointments, investments are to be broadly diversified to ensure there is not a concentration of investment with any one issuer. This restriction does not apply to investment in UK Government debt.

- Investment in derivatives is permitted either directly or within pooled funds, in circumstances in which this complies with relevant legislation.

- Investment may be made in securities that are not traded on regulated markets within the parameters set by relevant legislation. Recognising the risks (in particular the potential inability to convert an asset back to cash quickly or the risk that a counterparty fails to meet its contractual obligations), such investments will normally only be made in order to reduce the Plan's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event, the Trustee will ensure that the assets of the Plan are predominantly invested on regulated markets.

- There will be no direct investment in securities issued by the Plan's participating employers or affiliated companies, and any indirect investment in the Plan's participating employers or affiliated companies through pooled funds will be monitored appropriately and reported to the Trustee.
- Investment managers may not invest in the securities issued by that manager's company or any affiliated companies (other than any such securities held within a pooled fund in which the Trustee invests).
- There will also be transitory cash holdings from time-to-time. This will most likely be as a result of disinvestments where a decision is pending on where to invest the proceeds or where the Trustee decides to tactically hold cash for a short period of time. In most circumstances the Trustee will look to minimise the time in which any funds are held as cash.

7. Investment Strategy

7.1 Given the investment objectives, the Trustee has implemented the investment strategy detailed in the table below. The Trustee believes that the investment risk arising from the investment strategy combined with the risks arising from active management are consistent with the overall level of risk being targeted.

Asset Class	Strategic Allocation (%)
Growth Assets	**72.5**
Equities	25.0
Alternatives	47.5
Bonds/LDI	**27.5**
Total	**100.0**

The LDI portfolio is designed to hedge a set proportion of the Plan's liabilities, allowing for the interest rate exposures of the corporate bond holdings. The Trustee has a plan in place to increase the Plan's hedge ratio (on the Plan's Technical Provisions basis) as the funding position improves.

Further details in relation to the allocation between managers can be found in the Investment Policy Implementation Document ("IPID").

7.2 **Pension Funding Partnership ("PFP") Asset**

In addition to the above investment strategy, the Plan also has a holding in a PFP asset. This asset is not considered to form part of the Plan's formal investment strategy due to the specific structure and illiquid nature of the asset. The value of the PFP is, however, included in the overall value of the assets when assessing the Plan's funding level.

The PFP is a holding in a Scottish Limited Partnership Vehicle, whereby the Trustee owns the right to receive a series of inflation linked cash-flows over a period ending in 2031. At the end of this period, the Trustee will receive a final payment equal to the lesser of a specified sum and the deficit in the Plan at that point as calculated on the then Technical Provisions basis. Should an 'event' occur, such as insolvency, the

Trustee will be able to exercise a put option to "sell" or "realise" its interest in the PFP, which will see the Plan receive the lower of its then outstanding capital balance and either the Technical Provisions or the solvency deficit at the date of the 'event' (depending on the exact circumstances of the 'event').

The PFP invests in a bond issued by Interpublic Group of Companies, Inc., in the United States. The bond is secured on a pool of client receivables pledged by McCann Erickson USA, Inc., and Universal McCann Worldwide.

The Trustee has received legal advice to confirm that the holding in the PFP does not constitute an Employer Related Investment.

8. Day-to-Day Management of the Assets

8.1 Day-to-day management of the assets in accordance with the Plan-specific benchmark is delegated to professional investment managers. The Trustee has taken steps to satisfy itself that the investment managers have the appropriate knowledge and experience for managing the Plan's investments and that the work is carried out competently.

8.2 The Trustee regularly reviews the continuing suitability of the Plan's investments, including the appointed managers and the balance between active and passive management, which may be adjusted from time to time. However any such adjustments would be done with the aim of ensuring the overall level of risk is consistent with its investment objectives.

9. Expected Return

9.1 The Trustee expects to generate a return, over the long term, which will help it achieve its overall investment objectives. The Trustee target an excess return above that which would have been achieved had no investment risk been taken within the portfolio i.e. invested solely in a portfolio of liability matching fixed income and index linked instruments. It is recognised that over the short term performance may deviate significantly from the long term target.

Further details on the expected return target are included in the IPID.

10. Realisation of Investments

10.1 The investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant contracts.

10.2 The Trustee monitors the actual asset allocation versus the strategic allocation as part of the quarterly performance monitoring. The Trustee considers rebalancing the portfolio where these allocations fall outside of the control ranges as set out in the IPID.

11. Investment Manager Appointment, Engagement and Monitoring

11.1 Aligning manager appointments with investment strategy

The investment managers are appointed by the Trustee based on their capabilities and, therefore their perceived likelihood of achieving the expected return and desired risk characteristics. The Trustee utilises the investment consultant's manager research ratings in decisions around the selection, retention and realisation of manager appointments. These ratings are based on the investment consultant's assessment of a manager's ideas generation, portfolio construction, implementation and business management.

If the investment objective for a particular manager's fund changes, the Trustee will review the fund appointment to ensure that it remains appropriate and consistent with the Trustee's wider investment objectives.

The Trustee's policy is that, where possible, it incentivises the asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer or debt or equity and to engage with issuers or debt or equity in order to improve their performance in the medium to long-term by using appropriate fee structures and ultimately by asking for fee reductions or terminating their mandate if the asset managers fail to meet the Trustee's investment objectives and policies.

Some mandates are actively managed and where appropriate, the managers are incentivised to meet the Trustee's investment objectives and policies through performance targets. An appointment would be reviewed following periods of sustained underperformance. The Trustee will review the appropriateness of using actively managed funds as part of the wider monitoring of the Plan's managers.

One of the active managers is also incentivised through remuneration via performance related fees, which has a hurdle rate structure in place to avoid the Trustee paying additional fees during periods of long term underperformance.

The Trustee accepts that it has no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the Trustee’s overall investment strategy.

With respect to the LDI portfolio, the manager has been appointed to manage the assets across a range of durations with the splits designed to broadly reflect the profile of the underlying liabilities of the Plan.

The investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed. If the Trustee is dissatisfied, they will look to replace the manager.

11.2 Evaluating investment manager performance

On a quarterly basis, the Trustee receives investment manager performance reports, which present performance information over a range of time periods. The Trustee reviews absolute performance, relative performance against a suitable index used as a benchmark, where relevant, and against the manager's stated performance target (over various time periods), on a net of fees basis. In accordance with its policy on expected returns, the Trustee's focus is primarily on long term performance but short term performance is also reviewed.

If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustee may ask the manager to review their fees instead of terminating the appointment.

The Trustee is satisfied that this ongoing evaluation method and time horizon is in line with the Trustee’s overall investment policies and strategy.

11.3 **Responsible Investing engagement with investment managers**

The Trustee will also consider the investment consultant's assessment of how each investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's responsible investment policy. This includes the investment manager's policy on voting and engagement (where relevant). The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments. Further information is set out in Section 12.

11.4 **Portfolio turnover costs**

The Trustee does not currently monitor portfolio turnover costs but is looking to do this going forward and plans to include such analysis periodically as part of its ongoing monitoring of the investment managers.

In particular, the Trustee plans to ask investment managers to include portfolio turnover and turnover costs in their presentations and reports to the Trustee going forward.

The Trustee will engage with a manager if portfolio turnover is higher than expected. This may be assessed by comparing portfolio turnover across the same asset class on a year-on-year basis, or relative to the manager's specified portfolio turnover range in the investment guidelines or prospectus.

11.5 **Manager turnover**

The Plan is a long-term investor and the Trustee is not looking to change the investment arrangements on a frequent basis.

The Trustee will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The manager appointment has been reviewed and the Trustee is no longer comfortable that the manager can deliver the mandate

12. Social, Environmental and Ethically Responsible Considerations, and Corporate Governance

12.1 The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustee has taken into account the expected lifetime of the Plan when considering how to integrate these issues into the investment decision making process.

12.2 The Trustee has given appointed investment managers full discretion:

- to evaluate ESG factors, including climate change considerations,
- to exercise rights including voting rights attached to investments; and
- to undertake engagement activities and stewardship obligations in respect of the investments,

in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustee will review the investment managers' policies and engagement activities (where applicable), usually on an annual basis.

12.3 The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. These issues are monitored by the Trustee which takes advice from the investment consultant's assessment of how the fund managers incorporate ESG factors and address stewardship issues such as corporate governance. Monitoring is undertaken on a regular basis and is documented. Recognising the long term risks associated with climate change and carbon output, the Plan's equity investments will include a proportion of assets which are managed against a low carbon index.

12.4 The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

12.5 Members' views on matters such as their ethics and views on social and environmental impact are not currently taken into account in the selection, retention and realisation of investments.

12.6 The Trustee is satisfied that its policy corresponds with its responsibilities to the beneficiaries of the Plan.

13. Fees

13.1 The fees payable to each investment manager are based on an agreed percentage rate of the assets under management.

13.2 In addition, Mercer is retained to assist the Trustee as investment advisers. Mercer's fees for investment advice are agreed as and when work is undertaken, and vary according to the extent of such work.

14. Additional Voluntary Contributions

The Trustee invests members' additional contributions with Utmost Life and Pensions and Aegon. With the assistance of the Plan's consultants, these arrangements are reviewed from time to time to ensure that the investment performance achieved is acceptable and the investment profile of the funds remain consistent with the objectives of the Trustee and the needs of the members.

15. Review of this Statement

15.1 The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension plan assets.

Ratified and adopted by the Trustee of the Interpublic Pension Plan - September 2020