



Wick & Walter
2012.

How we comply

Corporate governance: How the Company is governed, including risk management and activities of the Board

Statements of compliance

UK Corporate Governance Code compliance

The Board considers that WPP complied in all material respects throughout 2016 with the provisions of the UK Corporate Governance Code.

Internal control

WPP operates a system of internal control, which is maintained and reviewed in accordance with the UK Corporate Governance Code and the FRC guidance on risk management and internal control.

How we comply

We have structured this section around the main principles of the UK Corporate Governance Code to enable share owners to evaluate how the principles have been applied.

Leadership

The role of the Board

The Board is collectively responsible for promoting the success of the Company by directing and supervising the Company's policy and strategy and is responsible to share owners for the Group's financial and operational performance and risk management. Responsibility for the development and implementation of Group policy and strategy and for day-to-day management issues is delegated by the Board to the Group chief executive and Group finance director. The list of matters reserved to the Board can be downloaded from the website wpp.com/wpp/investor.

During 2016, the Board met eight times formally (six scheduled meetings and two meetings held at short notice) and held 16 committee meetings throughout the year.

Attendance of directors at meetings	Board	Audit Committee	Compensation Committee	Nomination and Governance Committee
Roberto Quarta (Chairman)	8	4	5	4
Sir Martin Sorrell	8	–	–	–
Paul Richardson	8	7	–	–
Roger Agnelli ¹	1	2	–	–
Jacques Aigrain	7	7	5	–
Charlene Begley	8	7	–	3
Tarek Farahat ²	2	–	–	–
Ruigang Li	6	–	–	3
Nicole Seligman	8	7	5	4
Daniela Riccardi	6	–	–	4
Hugo Shong	7	–	–	4
Sir John Hood	7	–	5	–
Tim Shriver	8	–	5	–
Sally Susman	8	–	–	4
Sol Trujillo	8	7	–	–

¹ Roger Agnelli tragically died on 19 March 2016.

² Tarek Farahat was appointed on 11 October 2016.

³ All of the directors attended the scheduled meetings of the Board in the year during their tenure with the exception of Jacques Aigrain and Ruigang Li who each missed one meeting.

⁴ Two unscheduled meetings of the Board took place which were attended by all the directors eligible to attend, except Hugo Shong, Sir John Hood and Ruigang Li who sent apologies for one unscheduled meeting and Daniela Riccardi who sent apologies for both unscheduled meetings owing to prior commitments.

The role of the chairman

The Board is chaired by Roberto Quarta, who chairs the Nomination and Governance Committee and is a member of the Compensation Committee and attended all meetings of the Audit Committee at the invitation of its chairman. The chairman provides the leadership of the Board and is the main point of contact between the Board and the CEO. The chairman represents the Board in discussions with share owners and investor bodies, ensures that systems are in place to provide directors with timely and accurate information, represents the Company in external gatherings, and is also responsible for the Board governance principles. He has led the ongoing emphasis on management development and CEO and senior management succession planning.

The role of the senior independent director

The senior independent director is Nicole Seligman who is available to share owners and acts as a sounding board for the chairman and as an intermediary for the other directors with the chairman, when necessary. The senior independent director's role includes responsibility for the chairman's appraisal and succession and this year the Board evaluation process. Nicole Seligman was appointed to the Board in January 2014 and has served on the Compensation Committee. As the senior independent director, Ms Seligman customarily attends all Board committee meetings at the invitation of the chairmen of those committees.

Non-executive directors

The non-executive directors have a diverse range of skills, experience and backgrounds. As detailed in their biographies on pages 116 to 119, the non-executive directors work across the globe in media and advertising, investment banking and investment management, pharmaceuticals, logistics and bioenergy, FMCG, international management consulting, private equity and angel investing, business education, manufacturing, consumer products and retail management, internet start-ups, government and non-profit organisations. They provide constructive challenge and assistance to the Group chief executive in developing the Group's strategy. All directors have access to the services of the Company Secretary and may take independent professional advice at the Company's expense in conducting their duties. The Company provides insurance cover for its directors and officers.

Effectiveness

The composition of the Board

The Board is composed of 14 directors. Two current members are Executive Directors and 12, including the chairman, are non-executive directors. Two non-executive directors will be retiring at the AGM in 2017, following which the Board will be composed of 12 directors. The independence of each non-executive director is assessed annually by the Board. The Board has confirmed that all of the non-executives standing for election and re-election at the 2017 AGM continue to demonstrate the characteristics of independence.

Succession: Board and committee membership

The following changes to the Board's roles and composition took place during 2016 and early 2017:

- Tarek Farahat was appointed to the Board on 11 October 2016 and joined the Audit Committee on 24 February 2017.
- Charlene Begley and Tim Shriver announced that they will both be retiring from the Board at the AGM in 2017.

Time commitment

Letters of appointment for non-executive directors do not set out a fixed time commitment for Board attendance and duties but give an indication of the likely time required. It is anticipated that the time required by directors will fluctuate depending on the demands of the business and other events.

Development

On joining WPP, non-executive directors are given an induction which includes one-to-one meetings with management and the external auditors, briefings on the duties of directors of a Jersey company, the Share Dealing Code, WPP Code of Conduct and the UK Corporate Governance Code. The induction also covers the Board committees that a director will join. All directors are fully briefed on important developments in the various business activities which the Group carries out worldwide and regularly receive extensive information concerning the Group's operations, finances, risk factors and its people, enabling them to fulfil their duties and obligations as directors. The directors are also frequently advised on regulatory and best practice requirements which affect the Group's businesses on a global basis. One Board meeting a year is held in a location other than London or New York. In 2016, the Board met in Berlin, where it received briefings from all the heads of the Group's European operations.

In 2017, in India, the Board will review the Group's Asia Pacific operations.

Evaluation

WPP undertakes an annual review of the Board, its committees and individual directors. The annual evaluation of the Board's and all committees' effectiveness was externally facilitated in 2015 and the results of the evaluation considered in the 2015 Sustainability Report. The annual evaluation for 2016 has been conducted internally by Nicole Seligman, the senior independent director.

Re-election

The directors submit themselves for annual re-election at each AGM, if they wish to continue serving and are considered by the Board to be eligible. Directors may be appointed by share owners by ordinary resolution or by the Board on the recommendation of the Nomination and Governance Committee and must then stand for re-election at the next AGM, where they may be re-elected by ordinary resolution of the share owners.

With only specific exceptions to ensure Board continuity, non-executive directors shall not stand for re-election after they have served for the period of their independence, as determined by applicable UK and US standards, which is nine years.

Diversity

WPP recognises the importance of diversity, including gender, at all levels of the Group as well as the Board.

WPP is committed to increasing diversity across its subsidiaries and supports the development and promotion of all talented individuals. As at 31 December 2016, women comprised 29% of the WPP Board and 33% of non-executive directors, 34% of directors and executive leaders in our operating companies, 48% of senior managers and 54% of total employees.

Directors' conflicts of interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company (Situational Conflicts). The Board has a formal system in place for directors to declare Situational Conflicts to be considered for authorisation by those directors who have no interest in the matter being considered. In deciding whether to authorise a Situational Conflict, the non-conflicted directors must act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate.

Any Situational Conflicts considered, and any authorisations given, are recorded in the relevant minutes. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise Situational Conflicts and the Board believes that the systems it has in place for reporting and considering Situational Conflicts continue to operate effectively.

Remuneration

Non-executive directors do not participate in the Company's pension, share option or other incentive plans.

The Board considers that the non-executive directors' remuneration conforms with the requirements of the UK Corporate Governance Code.

The fees payable to non-executive directors represent compensation in connection with Board and Board committee meetings and where appropriate for devoting additional time and expertise for the benefit of the Group in a wider capacity.

Details of directors' compensation and service contracts form part of the report of the Compensation Committee which commences on page 128.

Relations with share owners

Dialogue with share owners

The relationship with share owners, potential share owners and investment analysts is given high priority by the Company.

The Company has a well-developed and continuous program to address the needs of share owners, investment institutions and analysts for a regular flow of information about the Company, its strategy, performance and competitive position. Given the wide geographic distribution of the Company's current and potential share owners, this program includes regular visits to investors, particularly by the Group chief executive, the Group finance director and the head of investor relations, in the UK, Continental Europe and the major financial centres in North America and also in Asia Pacific and Latin America. The Company's chairman meets with investors and regularly consults with investors' governance representatives and advisory bodies. The Company provides a preliminary announcement, an interim management statement at the end of the first and third quarters that includes a trading update, an interim report at half year and a trading update and presentation at the AGM.

The Company ensures that it has a proper dialogue with share owners and their representative bodies through executive and non-executive directors in relation to remuneration and corporate governance matters. In 2016, the chairman held extensive rounds of discussions with share owners and advisory groups regarding senior executive compensation and the new compensation policy, and CEO and Board succession planning. The chairman and senior independent director provide thorough feedback to the Board on issues raised with them by share owners.

WPP's website, wpp.com, provides current and historical financial information, including trading statements, news releases and presentations and the Company's statement of its corporate governance practices.

The Annual General Meeting

The 2017 AGM will be held on Wednesday 7 June 2017 at 12 noon at the Pullman Hotel London St Pancras, 100-110 Euston Road, London NW1 2AJ. A separate notice convening the meeting is distributed to share owners and will be published on WPP's website, wpp.com. All resolutions for which notice has been given will be decided on a poll.

Other statutory information

Substantial share ownership

As at 19 April 2017, the Company is aware of the following interests of 3% or more in the issued ordinary share capital:

MFS	6.64%
BlackRock Inc	5.62%

The disclosed interests refer to the respective combined holdings of the entity and to interests associated with it.

The Company has not been notified of any other holdings of ordinary share capital of 3% or more.

Profits and dividends

The profit before tax for the year was £1,890.5 million (2015: £1,492.6 million). The directors declared a final dividend of 37.05p (2015: 28.78p) per share to be paid on 3 July 2017 to share owners on the register at 9 June 2017 which, together with the interim ordinary dividend of 19.55p (2015: 15.91p) per share paid on 7 November 2016, makes a total of 56.60p for the year (2015: 44.69p).

Change of control

All of our bonds contain provisions which are triggered on a change of control of the Company. The holders of such bonds have the right to repayment at par except for holders of our US\$ bonds. The holders here have the right to redeem the bonds at 101% of par, if the Company is non-investment grade at the time of the change of control or becomes non-investment grade within 120 days of the announcement of the change of control.

In addition, the Group has a Revolving Credit Facility in the amount of \$2,500 million due July 2021, the terms of which require the consent of the majority of the lenders if a proposed merger or consolidation of the Company would alter its legal personality or identity.

In general terms, awards granted under WPP's incentive plans will usually vest on a change of control, albeit on a pro-rated basis. Where awards are subject to performance conditions, those conditions will still need to be met, also on a pro-rated basis. Certain incentive plans allow the Compensation Committee to require outstanding awards to be exchanged for equivalent awards in the acquiring company.

Articles of Association

There are no restrictions on amending the Articles of Association of the Company other than the need to pass a special resolution of the share owners.

Share capital

The Company's authorised share capital consists solely of 1,750,000,000 ordinary 10 pence shares. The Company operates an American Depositary Receipt program. The rights and obligations relating to the ordinary share capital are outlined in the Articles of Association; there are no restrictions on transfer, no restrictions on voting rights and no securities carry special voting rights with regard to control of the Company.

At the AGM on 8 June 2016, share owners passed resolutions authorising the Company, in accordance with its Articles of Association, to allot shares up to a maximum nominal amount of £86,157,177 of which £12,936,513 could be allotted for cash free of statutory pre-emption rights. In the year under review no shares were issued for cash free from pre-emption rights. Details of share capital movements are given in note 26 of the financial statements on pages 217 to 219.

Authority for purchase of own shares

At the AGM on 8 June 2016, share owners passed a special resolution authorising the Company, in accordance with its Articles of Association, to purchase up to 129,365,131 of its own shares in the market. In the year under review, 25,890,000 ordinary shares of 10 pence each were purchased at an average price of £16.51 per share.

Auditors

The directors will propose a resolution at the AGM to re-appoint Deloitte LLP as auditors.

Statement of directors' responsibilities in respect of the preparation of financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations. The directors have elected to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and have also elected to prepare financial statements for the Company in accordance with UK accounting standards. Company law requires the directors to prepare such financial statements in accordance with the Companies (Jersey) Law 1991.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'.

In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures, when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report and directors' compensation report.

The directors are responsible for the maintenance and integrity of the Company website. Jersey legislation and UK regulation governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

The directors confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. Each director has taken all the steps that he or she ought to have taken, as a director, in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

In accordance with the principles of the UK Corporate Governance Code, the Board has established arrangements to evaluate whether the information presented in the Annual Report is fair, balanced and understandable; these are described on page 177.

The Board considers the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for share owners to assess the Company's position, performance, business model and strategy.

The letters from the chairmen of the Nomination and Governance, Audit and Compensation Committees, the statements regarding directors' responsibilities and statement of going concern set out above and the directors' remuneration and interests in the share capital of the Company set out on pages 121 to 158, are included in the Directors' report, which also includes the sections 'Strategic report to share owners', 'What we think' and 'Who runs WPP'.

By Order of the Board:

Marie Capes
Company Secretary
19 April 2017