

WPP

Policy Book

ISSUED IN 2017

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1 Introduction

1.1 The Policy Book

The policies contained herein (“the Policy Book”) have been prepared for the managers of all companies in which WPP plc (“WPP”) has a significant interest (“Operating Companies”). The policies may be varied or changed at any time and confer no rights on employees or third parties.

WPP also issues Controls Bulletins for policy guidance deemed necessary before a subsequent revision of the Policy Book. These have the same importance as the Policy Book and are also to be regarded as mandatory.

This edition of the Policy Book supersedes all previous versions. A copy of this version is on WPP’s intranet, inside.wpp.com. The intranet will be maintained to ensure that the latest policies, Control Bulletins and guidelines are available to all users.

All senior management must be made aware of the existence of the contents of the Policy Book and they must communicate the need for adherence to the policies by all employees where applicable. “Senior Management” includes all members of the local Board or Management team, any Chairpersons, COOs, CEOs, CFOs, CIOs, Creative Directors, etc, and the heads of all significant departments, whether in operating companies, regional or global offices or the parent company. Signing the annual certificate of compliance with the Code of Business conduct, which is a requirement of Senior Management, also signifies confirmation that the staff member has read, understood and accepted the terms of the Policy Book and undertaken the on-line WPP training modules. (See 2.4).

These policies are mandatory for all staff and any breach may result in disciplinary procedures. Prior written approval must be obtained from WPP’s Group Finance Director (or delegate) if any exemptions are required from any of these policies.

All communication with WPP directors or staff can be made by telephone to +44 20 7408 2204 (London) or +1 212 632 2200 (New York). Appendix A sets out the names and locations of those contacts referred to in the Policy Book.

1.2 Business principles

The Policy Book reaffirms the general business principles of WPP and how each WPP Operating Company should conduct its business.

The Group is decentralised with diversified activities in marketing and communications. Each Operating Company has a common approach to ensure the reputation of their respective brand names and WPP's are maintained. The reputation of the businesses will be upheld if we act with honesty and integrity in all of our business dealings.

WPP and its Operating Companies have as their core values honesty, integrity and respect for people. These values are epitomised in our Code of Business Conduct.

These core values determine the way in which we approach business and they define the principles upon which we expect our people to behave in the conduct of their business.

Senior Management have the task of ensuring adherence to these principles by all staff: behaviour must match intentions.

2 Code of Business Conduct

2.1 Code

The following Code of Business Conduct (“the Code”) has been approved by the Board of Directors of WPP:

WPP and its companies operate in many markets and countries throughout the world. In all instances, we respect national laws and any other laws with an international reach, such as the UK Bribery Act and the US Foreign Corrupt Practices Act, and the Modern Slavery Act, where relevant, and industry codes of conduct. We are committed to acting ethically in all aspects of our business and to maintaining the highest standards of honesty and integrity.

- We, the officers and staff of all companies in the WPP group (“the Group”), recognise our obligations to all who have a stake in our success including share owners, clients, staff and suppliers;
- Information about our business shall be communicated clearly and accurately in a non-discriminatory manner and in accordance with local regulations;
- We select and promote our people on the basis of their qualifications and merit, without discrimination or concern for race, religion, national origin, colour, sex, sexual orientation, gender identity or expression, age or disability;
- We believe that a workplace should be safe and civilised and that employment must be freely chosen; we will not tolerate sexual harassment, discrimination or offensive behaviour of any kind, which includes the persistent demeaning of individuals through words or actions, the display or distribution of offensive material, or the use or possession of weapons on WPP or client premises;
- We will not tolerate the use, possession or distribution of illegal drugs, or our people reporting for work under the influence of drugs or alcohol;
- We will treat all information relating to the Group’s business, or to its clients, as confidential. In particular, “insider trading” is expressly prohibited and confidential information must not be used for personal gain;
- We are committed to protecting consumer, client and employee data in accordance with national laws and industry codes;
- We will not knowingly create work which contains statements, suggestions or images offensive to general public decency and will give appropriate consideration to the impact of our work on minority segments of the population, whether that minority be by race, religion, national origin, colour, sex, sexual orientation, gender identity or expression, age or disability;
- We will not undertake work which is intended or designed to mislead, including in relation to social, environmental and human rights issues;

- We will consider the potential for clients or work to damage the Group's reputation prior to taking them on. This includes reputational damage from association with clients that participate in activities that contribute to the abuse of human rights;
- We will not for personal or family gain directly or indirectly engage in any activity which competes with companies within the Group or with our obligations to any such company;
- We will not give, offer or accept bribes, whether in cash or otherwise, to or from any third party, including but not restricted to government officials, clients and brokers or their representatives. We will collectively ensure that all staff understand this policy through training, communication and by example;
- We will not offer any items of personal inducement to secure business. This is not intended to prohibit appropriate entertainment or the making of occasional gifts of minor value unless the client has a policy which restricts this;
- We will not accept for our personal benefit goods or services of more than nominal value from suppliers, potential suppliers or other third parties;
- We will not have any personal or family conflicts of interest within our businesses or with our suppliers or other third parties with whom we do business;
- No corporate contributions of any kind, including the provision of services or materials for less than the market value, may be made to politicians, political parties or action committees, without the prior written approval of the WPP board; and
- We will continue to strive to make a positive contribution to society and the environment by: maintaining high standards of marketing ethics; respecting human rights in our business, supply chain and through our client work; respecting the environment; supporting community organisations; supporting employee development; and managing significant corporate responsibility risks in our supply chain. Our Sustainability Policy and Human Rights Policy Statement provide more detail about our commitments in these areas.

Actual or potential conflicts with this Code should be reported promptly to the WPP Company Secretary.

2.2 Complaint procedure

Any violation of this Code should be reported immediately to the local human resource director or, where this position does not exist, the chief executive officer or other Senior Manager of the Operating Company. The staff member is also encouraged to raise the matter with the WPP Company Secretary. It is especially important that this complaint procedure is properly communicated to all staff.

In the event that a staff member feels unable to speak to any of these people, he or she may call the “Right to Speak” helpline that each operating group has in place. Each operating company is responsible for communicating this helpline to their employees. WPP’s Director of Internal Audit or the WPP Company Secretary can also supply the information.

All situations will be treated confidentially and will be promptly investigated and no retaliatory behaviour against staff making bona fide reports will be tolerated. If the result of the investigation indicates that corrective action is called for, such action may include disciplinary measures up to and including termination of the employment of the offender.

2.3 Display of the Code of Business Conduct and complaint procedure

The Code and the complaint procedures should be communicated to all staff and should be posted prominently in each operating company office.

2.4 Annual confirmation of compliance

The Senior Management (as defined earlier in section 1.1 and including, if appropriate, the heads of departments for account handling, creative, production, traffic, media, research, new business, human resources (HR) and any other significant department) at each Operating Company are required to sign an Annual Certificate of Compliance with the Code of Business Conduct and to confirm that they have completed the WPP on-line training modules and ensured that their staff have completed the training, and that their businesses are being operated on a day to day basis in compliance with the Code of Business Conduct.

The WPP Company Secretary must receive a list of all those individuals at the Operating Company who are required to sign the annual certificate of compliance with the Code of Business Conduct by no later than the end of April of each year.

The finance director of the Operating Company is required to collect and forward the signed forms together with details of any exceptions including any outstanding certificates to the Company Secretary’s department at WPP by no later than the end of **June** of each year.

Where circumstances change, which alter the responses given on the certificate, the WPP Company Secretary must be notified without delay.

3 Stock trading

3.1 Insider trading

You must not *deal* in any *securities* of WPP if you are in possession of *inside information* about the *Group*. You must also not recommend or encourage someone else to *deal* in the *Group's securities* at that time – even if you will not profit from such *dealing*.

You must not disclose any confidential information about the *Group* (including any *inside information*) except where you are required to do so as part of your employment or duties. This means that you should not share the *Group's* confidential information with family, friends or business acquaintances.

You may, from time to time, be given access to *inside information* about another group of companies (for example, one of the *Group's* customers or suppliers). You must not *deal* in the *securities* of that group of companies at those times.

The *Group* also operates a Dealing Code which applies to the *Company's* directors and to employees who are able to access restricted information about the *Group* (for example, employees who are involved in the preparation of the *Group's* financial reports and those working on other sensitive matters). You will be told if you are required to comply with the Dealing Code. Directors and employees who are required to comply with the Dealing Code must also comply with this policy.

Failure to comply with this policy may result in internal disciplinary action. It may also mean that you have committed a civil and/or criminal offence.

If you have any questions about this policy, or if you are not sure whether you can *deal* in *securities* at any particular time, please contact the WPP Company Secretary or WPP Group Chief Counsel.

- *deal* and *dealing* covers any type of transaction in a company's *securities*, including purchases, sales, the exercise of options and using *securities* as collateral for a loan
- the *Group* means the *Company* and its subsidiaries
- *inside information* is information about a company or its *securities* which is not publicly available, which is likely to have a non-trivial effect on the price of such *securities* and which an investor would be likely to use as part of the basis of his or her investment decision
- *securities* are any publicly traded or quoted shares or debt instruments, and any linked derivatives or financial instruments. This would include shares, depositary receipts, options and bonds

3.2 Closed periods

The Market Abuse Regulations establish a specific restricted period that is known as the "Closed Period" during which the directors and certain employees cannot engage in any transactions involving WPP securities - the WPP Share Dealing Code extends the period as set out below.

Closed Period means any of the following:

- (A) the period from the end of the relevant financial year up to the release of the preliminary announcement of the Company's annual results (or, where no such announcement is released, up to the publication of the Company's annual financial report) or, if longer, the period of 30 calendar days before such release (or publication);
- (B) the period from the end of the relevant financial period up to the release of the Company's half-yearly financial report or, if longer, the period of 30 calendar days before such release; and
- (C) the period of 30 calendar days before the release of each of the Company's first quarter report and third quarter report.

4 Employment and remuneration practices

4.1 Recruitment

Prior to entering into a commitment with any recruitment consultant – retained or contingency – where the company may pay a fee in excess of US\$50,000 (per position), specific permission must be obtained from the WPP Group Chief Talent Officer. This approval is to assess whether the position cannot be more effectively filled with an internal Group candidate, or through WPP's talent sourcing group.

Employment terms

Prior to extending a formal and unconditional employment offer:

- at least two references should be obtained for all prospective employees which confirm the suitability of the person for the position being offered and where possible their previous compensation;
- additional background checks conducted by a specialist company should also be undertaken for all Senior Management appointments (WPP HR can advise on an appropriate supplier);
- global assignment and relocation terms, if applicable, must be pre-approved by WPP's Director of Global Mobility, and
- all non-standard terms, including awards of WPP stock, notice periods of six months or greater, and bridging payments of six or more months' salary, or in excess of US\$100,000, must be specifically approved by the Worldwide Compensation and Benefits Director.

All offer letters should include wording to the effect that:

- the offer letter is not a binding agreement until superseded by commencement of employment, local employment law and/or a signed contract where appropriate.
- employment is contingent on showing proper work authorisation (visas, work permit, passport etc)

All employment offers in excess of US\$200,000 must be approved by the Worldwide Compensation and Benefits Director in advance of extending either a verbal or written offer.

Relocation and Global (Expatriate) Assignments

All employee relocations, whether they are an internal transfer, or an external hire, must follow the following procedures:

- the WPP Global Mobility Department must be consulted;
- a cost projection covering all components of the international assignment and relocation is required to be produced;
- the cost projection must be signed off by the Operating Company Finance and Human Resources Directors;
- the employee must receive an offer letter, contract and/or assignment letter detailing the terms of their assignment including all relocation and international assignment benefits (language for all relocation and assignment benefits can be obtained from Global Mobility);

- the employee must sign a reimbursement agreement whereby they are obligated to reimburse the company the cost of relocation if they leave of their own volition or are terminated for cause. No services will be initiated for the employee until this agreement is signed and returned, and contracted vendors should be used, wherever possible, for all relocation services.

4.2 Remuneration of senior executives

Salaries, other contractual remuneration and employment terms (including notice periods, restrictive covenants and benefits) for employees earning annual guaranteed cash remuneration of US\$200,000 or more, as well as any director or officer of an Operating Company, must be reviewed and approved by the Worldwide Compensation and Benefits Director

Individual severance arrangements where payments exceed either local statutory requirements or the employee's contractual entitlements by more than US\$25,000 must be reviewed and approved by the Worldwide Compensation and Benefits Director

Any changes to compensation for employees earning over US\$150,000 (including terminations, new hires and salary adjustments) must be reported to WPP's Worldwide Compensation and Benefits Director on a monthly basis.

4.3 Incentive compensation arrangements

The terms of all annual and long-term incentive plans must be in writing and approved by the Worldwide Compensation and Benefits Director prior to implementation.

The funding of all annual and long term incentive plans must be within the parameters agreed with WPP each year.

The Worldwide Compensation and Benefits Director must always approve any new individual bonus or incentive arrangements, which vary from the approved terms of the Operating Company incentive plans.

Prior to payment, the Worldwide Compensation and Benefits Director must approve all incentive compensation. The form and timing of payments must also conform to the Group's tax effective remuneration guidelines, which should be obtained from the WPP Tax Department.

4.4 Salary review dates

All salary reviews and any resulting salary changes (irrespective of salary level) must be carried out in the WPP review cycle, normally May and November. However, there may be exceptions permitted in the following circumstances:

- local statutory requirements decree a different date;
- new employees are offered an increase in salary after a trial period; or
- key employees resign and an approved counter-offer is approved.

In all cases, prior approval must be obtained from the Worldwide Compensation and Benefits Director.

Under normal circumstances, the review cycle will depend on base salaries as follows:

| <u>Base salary (US\$)</u> | <u>Review cycle</u> |
|-----------------------------------|---------------------|
| ▪ less than \$150,000 | every 12 months |
| ▪ between \$150,000 and \$250,000 | every 18 months |
| ▪ over \$250,000 | every 24 months |

4.5 Loans to employees

Loans to employees are not permitted without prior WPP approval, other than subsistence advances. Loans will only be approved in exceptional circumstances.

4.6 Retirement plans, pension schemes and other employee benefits

Prior written approval is required from the Worldwide Compensation and Benefits Director before an Operating Company enters into any commitment (funded or unfunded) to establish, increase or change benefits in the form of deferred compensation, retirement programmes, profit sharing plans, life assurance, long term disability or health care plans. Any changes to actuarial methods or assumptions used to determine the level of funding under a retirement plan must also receive prior approval from the Worldwide Compensation and Benefits Director. This includes changes to individual employee entitlements as well as company-sponsored plans.

Except where expressly agreed with WPP Worldwide Compensation and Benefits Director, retirement benefits must be provided on a defined contribution basis.

4.7 Other compensation arrangements

Residential property must not be purchased, or leased, on behalf of, or from an employee, without prior approval by the WPP Worldwide Compensation and Benefits Director, unless it is a short-term temporary residence as part of an approved relocation.

- Net-of-tax pay remuneration arrangements, where the Operating Company assumes the employee's tax and social insurance liabilities must not be entered into except where an employee is transferred between countries on a time-limited expatriate agreement; which has been approved by WPP Director of Global Mobility.

Expatriate remuneration should not be in the form of a net-to-net calculation based on the employee's net income in the home location, grossed up for host liabilities. This process creates an adverse affect on the Company as it may increase salary-related entitlements and other statutory obligations, such as benefits, pensions, provident funds, etc. Such a structure may also adversely impact the Company's ability to move the employee at a future date. Please refer to the Global Assignment Policy on the inside.wpp.com policy and procedure site, or ask Global Mobility for a copy of the policy, for all terms and conditions in relation to the appropriate way of compensating employees moving cross-border.

4.8 Tax-effective remuneration

All employees must be paid from and fulfil their personal tax obligations in their principal place of employment and residence.

No employee should be paid from a location where he/she has no business responsibilities, unless the payment location is the employee's home country and the employee is on a defined expatriate assignment and prior approval has been obtained from WPP Global Mobility. Where any remuneration is paid in a jurisdiction other than the employee's principal place of employment, this must be supported by written documentation describing the employment responsibilities in each jurisdiction from which they will be paid. WPP's tax advisers should confirm the legitimacy of such arrangements.

All remuneration practices must be compliant with local tax and other regulatory laws in the relevant jurisdictions. No payments (including payment for expenses) should be made without all proper payroll withholding taxes and social security deductions, unless it is acceptable under local laws. If in doubt, the treatment of these payments should be cleared with the WPP Tax Department.

The net-after-tax (Corporate Tax) cost to the Operating Company must not be increased as a result of changing the form, location or timing of employee remuneration. This assessment should also take social taxes and benefit costs into account.

Alternative tax effective methods of delivering remuneration in either a home or host location should not in any way restrict the Operating Company's ability to relocate an employee or vary future payments under incentive, bonus or profit sharing plans and should not increase potential future severance costs.

Where the above conditions are met, and employees are provided with remuneration in any form which is not reported to all the proper taxing authorities, or, where such remuneration is provided by an entity other than the employing company, a written agreement must be obtained from WPP's external tax advisers that there will be no tax or other exposure to the group arising from the total remuneration package, wherever contracted or paid, except in the following circumstances:

- where non-cash remuneration is provided as part of the standard remuneration package for employees of that Operating Company, for example, company cars or healthcare. However, for this purpose, bonuses are not considered part of the standard remuneration package and must be separately approved by the WPP Worldwide Compensation & Benefits Director, or
- in the case of expatriate employees where specific advice has been separately received from PwC, on the individual circumstances of an expatriate's remuneration package, and the advice and tax treatment have been approved by the WPP Director of Global Mobility or the Worldwide Compensation & Benefits Director.

Written agreement must be obtained from WPP's auditors (subject to independence rules) or tax advisers if the location, form or timing of any payments change in any significant way.

Any known exceptions or problems that arise, including problems arising out of existing obligations, must be brought to the attention of WPP.

4.9 Global Assignment (Expatriate) compensation

Expatriate compensation is designed to assist the employee in paying for those costs that will be higher in the host location than they were in the home location. It is not designed for, nor should it be used as, additional total compensation for employees if it is not needed. Expatriate compensation requests that are submitted for approval, and are deemed to be not needed, will be denied. Please refer to the Global Assignment Policy on the inside.wpp.com policy and procedure site, or ask Global Mobility for a copy of the policy, for all terms and conditions in relation to the use of, and calculation of, expatriate benefits and terms.

All new Global Assignment remuneration arrangements should be consistent with written guidelines established by WPP and each Operating Group, and must be approved by the WPP Chief Talent Officer, Worldwide Compensation and Benefits Director and Director of Global Mobility.

All new expatriate remuneration arrangements (COLA, Housing, Tax Equalization, Education, Home Leave etc) should be clearly defined in the offer / assignment letter and have a clearly defined date by which the employee is to be phased into local terms and conditions. These should be communicated to the employee in writing before the assignment begins. All employees must sign his/her letter prior to the commencement of employment.

Under normal circumstances, there should be a phasing out of expatriate remuneration arrangements for any employee who has remained at the same location for over three years. The reduction of expatriate remuneration should start after the employee concludes his / her third year in the host location. The expatriate assignment remuneration will then be reduced by 1/3 per year and be fully eliminated after the sixth year.

Employee should not be offered any overseas assignment until Global Mobility can verify that that employee can obtain, within the required timeframe, the legal right to work (a work visa, and/or working permit) in the country where they are expected to be employed.

No employee will be allowed to work in the new location unless all immigration and work documentation is presented to the hiring manager and can be verified.

Under no circumstances, will an employee be allowed to “start” in their new position on a Business Visitor Visa until the Operating Company can obtain the proper visa and work documentation.

WPP will not take responsibility for any employee’s tax liabilities on any tax return that is filed that does not follow the advice of our tax consultants on expatriate compensation.

4.10 Director appointments

Any appointment to the role of chairman, chief executive, finance or human resources director or VP of a Worldwide Operating Group must be notified to the WPP Chief Talent Officer in advance. The WPP Group Chief Executive must approve the appointment.

All appointments and resignations of statutory directors or VPs must be notified to the Group Chief Counsel immediately.

No changes to notice period and / or restrictive covenants in relation to statutory directors, Client Service or Creative Directors or earn-out participants may be made or discussed with the individual concerned without the prior approval of the Group Chief Counsel.

4.11 Outside appointments

Details of non-WPP related directorships held by directors of Operating Companies must be provided in the annual year-end reporting pack. Prior approval must be obtained from the WPP Group Finance Director before accepting any such appointments and, when, in the reasonable opinion of the WPP Group Finance Director, an existing appointment gives rise to a conflict of interest, such appointment or office will be resigned.

4.12 Employee manual

Each Operating Company should have a separate employee manual containing appropriate terms applicable to its business and its jurisdiction of formation. Nothing in this should be inconsistent with the Policy Book.

4.13 Use of consultants and temporary staff

External consulting arrangements, excluding freelance costs relating to client service, in excess of US\$50,000 must be notified to the relevant WPP Director or VP prior to the project commencing. This is to ensure that duplication of consulting work around the Group is avoided and opportunities to improve terms can be identified if the consultant has already been used elsewhere in the Group. This would include, but is not limited to, consulting such as: management consulting (McKinsey, Bain, etc), information systems consultants (Accenture, PwC, etc) and human resources consulting (Towers Watson, Aon Hewitt, etc).

This notification must include at a minimum the following:

- nature of consulting work;
- consultants to be used; and
- amount of expenditure.

No payments must be made to consultants and temporary staff without deduction of payroll withholding taxes unless this is permitted under the local legislation or clearance has been obtained from the taxation authorities. If in doubt, written clearance must be obtained from the WPP tax department or the Group's auditors.

4.14 Employee poaching

For all operating companies and associates

- A manager with responsibility for recruitment should not interview an employee of another WPP operating company unless the candidate has already spoken to their line manager and that manager has agreed in principle. The hiring manager should confirm that this is the case with the candidate's line manager and ascertain with him/her (or the HR Director) the candidate's performance to date.

- If a candidate initiates contact with an operating company with a view to future employment, the potential employer should instruct them that they must make their current employer aware of their wish to move, before discussions proceed.
- Hiring managers should instruct their external recruitment suppliers and search partners that they should not forward candidates currently working for a WPP company.
- Should an operating company ignore the above for any reason, they may be responsible for the recruitment fee involved in replacing that individual in their previous company.
- In the case of any employee moving from one company to another, the current employer will be asked to supply frank and objective references for the candidate and full remuneration details if necessary.
- No salary offer should be made that is more than 10% above the individual's current salary. There may be exceptions to this and they should be discussed with WPP HR.

For all WPP employees

- A member of staff who wishes to seek employment in another WPP company must first seek the agreement of their line manager. If this is not possible in the circumstances, then an employee should contact WPP HR to explore alternatives.
- Employees should not approach another company until that agreement has been reached.
- Under no circumstances should members of staff seek to approach another operating company via an external recruitment company.

Each case should be judged on its own merits, but there are some actions that are never appropriate:

- Offering a position to anyone who you know has already accepted an offer from another WPP company but has not begun their employment;
- Authorising a recruitment company to approach an employee of a WPP company on your behalf; and
- Counselling anyone against working for, or communicating negative information about, another WPP company, either to a Group employee or an external candidate.

4.15 Abuse of Drugs and Alcohol

WPP does not permit the possession, use or distribution of any illegal drugs, or use of any legal or controlled drugs other than in the manner for which they were properly approved and prescribed, while on WPP Group or client premises or conducting WPP Group business or at any event organised by or on behalf of a WPP Group Company, client or supplier. It is against policy to report for work under the influence of drugs, as above, or alcohol.

Any employee who has a drug or alcohol problem should seek medical help / counselling and should also inform an appropriate senior manager, possibly within Human Resources.

4.16 Conflicts of Interest

Staff must seek to avoid situations in which there is, or there may be a perception of, a conflict between the best interests of the Operating Company and the self-interests of the staff member. Examples include, but are not limited to, the following:

- competing against or acting for any third party that competes against any Operating Company in the Group;
- encouraging clients to do business with a third party in which the employee, or family member or close associate, has a financial interest;
- using, or encouraging the use of, a vendor in which the employee, or family member or a close associate, has a financial interest; and
- the operating company leasing property owned by an employee or family member or close associate.

If such a situation arises, the employee must immediately disclose the facts to their direct manager, to determine what course of action, if any, is necessary.

If it is deemed that it is commercially sensible for the situation to continue (for example the related party supplier is the best, by an appropriate measure), then the employee must have no involvement with signing contracts or developing terms and conditions, including pricing, and must not be responsible for monies passing to or from the related party.

The nature of the relationship must be disclosed to the board or management committee of the operating company and to the regional office and on the certificate of compliance with the Code of Business Conduct, if the individual is required to complete it.

4.17 Travel policy

All Operating Companies must adhere to WPP's travel policy. The details are on WPP's intranet. (inside.wpp.com/travel)

4.18 Corporate Credit Cards

All staff must comply with relevant policies applicable to the use of corporate credit cards. In particular staff must not use corporate credit cards for personal expenditure or for cash advances. Where business expenses have been incurred on a corporate credit card the relevant employee must immediately apply any reimbursement of that expense against the credit card account.

4.19 Leavers subject to non-compete clauses

WPP Group Legal must be notified in advance of all members of staff who leave and are subject to a non-compete clause and no waiver or reduction of such obligations should be discussed or agreed without the prior approval of WPP Group Legal.

4.20 Human Rights

All employment decisions must reflect our Human Rights Policy Statement. We respect the human rights of all employees, including permanent, temporary and contract workers. We select and promote our people on the basis of their qualifications and merit, encouraging diversity.

We expect all employees to be treated without discrimination or concern for factors such as race, religion, national origin, colour, sex, sexual orientation, gender identity or expression, age or disability. We seek to provide safe workplaces. We recognise the rights of our employees to freedom of association and collective bargaining. We will not tolerate harassment or any form of forced, compulsory or child labour.

5 Clients

For further help and assistance with respect to the Client Policies please contact WPP Global Client Operations or WPP Legal:

WPP Global Client Operations

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5.1 Client Contracts

Overview

Having appropriate and robust contracts in place with all clients is of critical importance to our business. Contracts should never be ignored or treated as a formality, even in the case of short term and low value projects. Properly drafted contracts ensure accurate revenue recognition, and the right wording in a client contract makes potential disputes much simpler and quicker to deal with, and may even avoid them completely.

If a full form contract is not negotiated, business will either be conducted on implied terms, or worse, on the client's standard purchase order terms, which will typically impose a very high level of risk on the operating company.

The Policy

1. Work for clients must not commence without something in writing where the client authorises the operating company to start the work and establishes the basis upon which revenue is to be recognized and payment is to be received. This could take the form of a signed contract, interim letter of agreement or purchase order.
2. Where work is commenced on the basis of the client's purchase order, always agree with the client in writing that any standard terms referenced on or appended to the purchase order do not apply, and that a full form contract will be negotiated and agreed within a fixed period of time.
3. All client contracts should include, at a minimum, all of the items set out in the key issues checklist appended to this section, and specifically, appropriate limits and exclusions on the operating company's liability under

the contract, as well as an indemnity from the client in respect of its own products and services, and information and materials supplied by it.

4. Before any commitment is made, WPP (via the Deputy Group Finance Director) must be made aware of negotiations with any new or existing clients who are likely to generate revenues greater than US\$5 million annually.
5. Terms with clients who are served by other group companies should not be proposed without reference to the other operating companies or the WPP Global Operations Team.
6. Operating companies may not bind other operating companies or WPP without reference to the other operating company or the WPP Deputy Group Finance Director.

Guidance

In the majority of cases clients will expect the operating company to work to the client's standard form of contract. It is likely therefore that significant negotiation will be necessary because these contracts do not include requisite terms for our industry and do not offer appropriate protection to our business.

WPP has published a Client Contracts Toolkit which operating companies should refer to when negotiating client contracts. The *Best Practice Guidelines: an A to Z* can be found on InsideWPP, the Accord Commercial website or by contacting the Global Operations Team. Please note that these guidance notes are drafted from a UK/US perspective. Whilst much of the guidance is of a commercial nature and will be relevant globally, local laws and custom may mean that a different approach is necessary on certain points. Always seek local legal advice.

In addition, the checklist appended to this policy should be used to ensure that the key issues have been covered.

Appendix to Section 5.1: Client Contracts

Key Issues Checklist

This checklist sets out the items that should appear in all client contracts, irrespective of services provided, the value of services or the duration of the assignment. Use it as a checklist while you are negotiating the contract, and as a summary once you have completed the contract.

For more detailed guidance on each of the items set out here, see the WPP Client Contracts Toolkit: Best Practice Guidelines: an A to Z.

| | |
|-------------------|--|
| Operating company | |
| Client | |
| Location | |
| Services | |
| Annual billings | |
| Projected margin | |
| • Year 1 | |
| • Contract | |
| Account lead | |
| Date completed | |

| Key issue | YES | NO | DETAILS |
|-------------------------------------------------------------------------------|-----|----|---------|
| 1. Term and termination | | | |
| a. How long does the contract last? | | | |
| b. What is the notice period? | | | |
| c. Do both parties have equal termination rights? | | | |
| 2. Services / scope of work | | | |
| a. Are the services and the scope of work very clearly defined? | | | |
| 3. Fees and payment terms | | | |
| a. Are the fees very clearly defined? | | | |
| b. When are invoices sent to the client? | | | |
| c. What are the payment days from date of invoice (not receipt of invoice) | | | |
| d. Will the client pay for pass through costs in advance? | | | |
| See section 5.4 of the WPP Policy Book: Client Billing & Payment Terms. | | | |
| See section 5.5 of the WPP Policy Book: Client Compensation. | | | |
| 4. Audit | | | |
| a. Do all audit provisions comply with the WPP audit policy? | | | |
| See section 5.6 of the WPP Policy Book: Audit Provisions in Client Contracts. | | | |
| 5. Intellectual property | | | |
| a. Is the transfer of IP rights in deliverables subject to payment? | | | |
| b. Are third party rights carved out? | | | |

| | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|
| c. Are the operating company's proprietary tools protected? | | | |
| d. Has liability for patent infringement claims been considered? | | | |
| 6. Confidentiality | | | |
| a. Are both the client's and the operating company's confidential information properly protected? | | | |
| See section 5.9 of the WPP Policy Book: Confidentiality. | | | |
| 7. Data protection / privacy / information security | | | |
| a. Does the contract address data issues, particularly in relation to hacking? | | | |
| See WPP guidance note: Data Privacy, Security and IT terms in Client Contracts – Navigating a complex area with Clients (February 2014). | | | |
| 8. Client's policies and procedures | | | |
| a. If the client is expecting the operating company to comply with its policies and procedures, have these been compared to our procedures? | | | |
| b. Have measures been taken to ensure compliance? | | | |
| 9. Competitor restrictions | | | |
| a. Does the contract prevent the operating company from working for the client's competitors? If so have the restrictions been very clearly defined and approved? | | | |
| 10. Warranties and indemnities | | | |
| a. Are the warranties specific? | | | |
| b. Do the indemnities mirror the warranties? | | | |
| c. Does the client indemnify for its own products/services/information? | | | |
| d. Is there a conduct of claims clause and a mitigation requirement? | | | |
| 11. Limitation of liability | | | |
| a. Does the contract define a cap on the operating company's liability for ALL direct losses including those covered by indemnities? | | | |
| b. Is the operating company's liability excluded for special, indirect and consequential damages, plus loss of profits, loss of data, damage to reputation, and liability for hacking claims? | | | |
| 12. Affiliates and Subcontracting | | | |
| a. Will other group companies (majority / minority / affiliated) provide services under the contract, and if so, have the parties and process, including the lead operating company's level of responsibility for the actions of these entities, been appropriately defined? | | | |

| | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|
| b. If any of the work will be subcontracted, does the contract allow for this? | | | |
| c. What level of responsibility does the operating company accept for the acts and omissions of subcontractors? | | | |
| d. Does the contract distinguish between group companies and subcontractors that the operating company can control, and affiliates and third party suppliers/vendors that it can't? | | | |

5.2 Client Contract Compliance

Overview

Compliance with client contracts is of paramount importance to our reputation and to our financial performance.

The Policy

1. Full compliance with client contracts, including any requirements to comply with client policies and procedures, is mandatory.
2. Operating companies must ensure that they have access to the relevant terms of all contracts for their clients, including those contracts primarily held regionally or globally. (Contracts executed by WPP can be obtained from the Global Client Operations Team or WPP Legal.)
3. If an operating company retains rebates received on production or media (i.e. rebates are not passed to clients), the basis on which these rebates are retained must be documented with reference to the contract. You must consult with your regional office or WPP if there is any doubt as to your interpretation.
4. For global or regional contracts, there will be no exceptions for 'accepted practice', local agreements or unworkable terms unless officially and formally incorporated into the contract by the client.
5. All documentation and relevant calculations that have been contractually agreed to be disclosed to your client must be readily available and supplied, whether during the billing cycle or during an audit. Please see WPP Policy 5.6 for guidance on Audit provisions in client contracts
6. You must co-operate fully with client audits if agreed in a contract and the contract language must be written in accordance with the WPP Client Audits Policy, in Section 5.6 of the Policy Book.
7. Timesheets, where required in a contract to be completed, must be completed accurately and on a timely basis.
8. If alterations to timesheets are required (for example for the correction of mistakes) a full audit trail with appropriate authorization must be kept.

Guidance

Operating companies must ensure the contract is properly negotiated in accordance with Section 5.1 of the WPP Policy Book on Client Contracts from the outset. If you have agreed to comply with any client policies or procedures ensure steps are taken to manage compliance in the operating company. Establish a process for all policy and procedure changes and how these are communicated by the client to the operating company and internally to operating company staff. Pay close attention to requirements under IT, confidentiality and security (both physical and IT) policies as these can be complex and require changes to standard operating company protocols or policies. Involve your IT staff to confirm that your office(s) will be able to comply with all the requirements in the contract. Be particularly mindful of your responsibilities relating to client conflict and confidentiality.

On execution of the contract, the original signed contract should be stored securely, and a scanned copy retained in a central database. Access rights to this database should be reviewed regularly and updated for new hires and leavers. A contract summary should be completed and circulated to all staff working on the account and make sure they are trained on any specific requirements, for example in relation to information security, competitor restrictions, or the client's policies and procedures.

Particular attention should be paid to requirements in respect of freelancers, subcontractors and third parties as it may be the operating company's responsibility to ensure that these suppliers also comply with the client contract. See the WPP Client Contracts Toolkit for guidance on negotiating these obligations in client contracts. Work out what practical steps are required to ensure compliance.

Document any action points or deadlines which appear in the contract and act on reminders.

Carry out regular internal reviews of practices on the account to ensure that requirements are being met, and take steps to address any shortcomings.

5.3 Client Credit Policy

Overview

You need to ensure your prospective client can pay for the services requested. This policy outlines what credit reviews are required.

The Policy

1. Every operating company must conduct a credit review for each prospective client prior to the signing of any contract or letter of intent. The client company reviewed should be the correct principal to the contract.
2. The review must include a review of available balance sheets and profit and loss statements of the prospective client and a credit check with independent credit research organizations, banking institutions and other major creditors of the prospective client.
3. This review must be widened to include other related companies when the client is part of a jointly owned or associated group of companies.
4. If the credit review of the client indicates a limited ability to pay, sufficient safeguards should be included in the client contract to ensure that the operating company does not undertake any risk in expenditure incurred on behalf of the client. Such safeguards might include payments in advance of the work, payments being made directly by the client to third party suppliers, restrictive credit terms or receiving a bank letter of credit.
5. Credit terms must not exceed 10% of the total available working capital of a newly established company. You will need to request the financial statements to determine this.
6. Where credit terms of greater than US\$50,000 are proposed for either newly established companies, or for clients where the credit review has indicated a limited ability to pay, the client contract and the billing arrangements of the operating company should be reviewed by WPP Director of Treasury or in

accordance with the operating company network's approval process (or by the operating company's regional management if one doesn't exist).

7. Credit terms in excess of US\$50,000 to an existing client which is known to be in financial difficulty requires approval in accordance with the operating company network's approval process (or by the operating company's regional management in one doesn't exist) or by the WPP Director of Treasury.
8. Operating companies should also perform annual credit reviews of existing clients, in line with the terms above.
9. Clients in administration e.g. managed bankruptcy, chapter 11 etc. should prepay 100%.

Guidance

There is a WPP global contract with Dun & Bradstreet. Donna Hill and Ron Pearlroth are the WPP contacts for D&B. There is also a specific US contract, which is managed by Ron Pearlroth at WPP (rpearlroth@wpp.com).

Further to policy point 5, if credit terms requested exceed 10% you could propose 100% prepayment as an alternative.

For help and approval of terms please contact:

WPP Treasury:

| | |
|-----------|-------------------------------|
| Americas: | Tom Lobene – tlobene@wpp.com |
| EMEA: | John Durcan – jdurcan@wpp.com |
| Asia: | Alex Koh – akoh@wpp.com |

5.4 Client Billing & Payment Terms

Overview

The management of payment terms with our clients for media, production and fees is critical to ensure the proper cash flow for our business. Our role is to add value to our client's businesses through our ideas and creativity rather than to help fund their business. The time between when we deliver our services, when we invoice for our services and when we get paid for our services is a combination of receipt of purchase order, the earliest an invoice can be sent to the client and the agreed payment terms.

Payment Terms Policy

1. Operating companies must appropriately align payment from the client with expenses incurred by the operating company.
2. Payment must be received by check or electronic wire and not via credit cards, factoring, shares, barter or any other form of payment.
3. Supplier financing through a third party institution may not be agreed.
4. No discount for early payment can be made for fees.
5. Clients will receive the benefit of early payment discounts ("EPD") actually received by the operating company if the client pays the operating company in reasonable time to allow the operating company to achieve the EPD. Should the client elect to make early payment then the client accepts the risk of the vendor's default (e.g. insolvency or similar default) on such payment and EPD may only be passed to the client providing there is no outstanding indebtedness with the client's accounts.
6. Client contracts, where laws permit, should contain language that allows us the ability to charge interest for undisputed invoices outstanding past the agreed due date.
7. Where there may be a significant credit risk or a track record of persistent late payment we reserve the right to 100% payment in advance of the services being delivered.
8. Reimbursable costs including media, other than for client incidental expenses such as employee travel, may only be paid once client payment has been received.

Billing Policy

1. Operating company fees, in the form of retainer or fixed amounts, are to be billed as early in the month of service as possible, and no later than the end of the month of service.
2. Project charges or fees are billed on staged milestones over the development and completion of the project.

Purchase Order Policy

1. A Purchase order, or other such client specific approval to invoice, is required prior to work commencing
2. During a negotiation period, invoicing of 75% or more of a prior year fee is acceptable, or 75% of estimated current year fee where this is materially

lower than prior year. For projects, invoicing 75% of the relevant fee value at the normal milestone is acceptable.

3. On approval of the Regional CFO on an exception basis, up to 1 month of work can be undertaken without the ability to invoice. This approval is to be given in writing for work with a fee value of US\$100k per month or more and the approval maintained in a file at the Operating Company.
4. A second month of work cannot be undertaken without the ability to invoice on an agreed basis with the client. Any exception has to be approved by the Network Global CFO and notified to WPP Finance (WPP Group Controller and WPP Group Treasurer).

Approval of Non Standard Billing and Payment Terms

****All requests for terms that are inconsistent with this policy must be made to WPP Global Client Operations and WPP Treasury****

If you receive requests to change terms and/or the time that we can invoice for our services that do not comply with this policy please gain a comprehensive understanding of the client's reasons for the change and document the current terms before you alert the Global Client Operations team within WPP. You should seek to understand:

- The financial health of the client.
- Wider relationships between the client and WPP, if known.
- Further validate the annual payment terms survey findings provided by the Global Client Operations Team.
- Work out how long it will really take to be paid by understanding the impact of the payment terms (the time it takes to get paid from when we submit the invoice) and billing dates (when we are able to invoice our services) together with other issues such as the frequency of your client's payment runs.
- Additional issues such as WIP and debt profile.
- Operating companies revenue and profitability of the client.

Guidance

General

Clients continue their attempt to lengthen payment terms with WPP. Our business model and cash management practices do not give us any ability to make the concessions these clients are requesting. Effectively, the client is asking us to borrow to fund the costs of our services to them.

- Our cost base is circa 75% staff cost and 10% property. Neither our people nor our landlords will accept payments to them being delayed by 45 to 90 days and therefore in order to meet the client requests we would have to borrow the necessary funds.
- If we extended terms by 45 days for all our clients we would need to borrow an extra \$2 billion (on 2013 annual results) which would drive up the borrowing cost for all our debt, assuming the banks or capital markets were willing to lend these sums with no change to our level of income.

- We are sometimes offered supplier financing, which involves discounting our invoices for normal payment but this is simply borrowing by other means. We do not accept supplier financing arrangements. WPP Treasury are the only people who can arrange Group financing.
- Many of our clients have lower borrowing costs than ours and, in some instances by half, so effectively we would be spending \$1 to deliver circa half a dollar of value to our clients. Since we borrow at a higher cost than the client saves by having our cash, extending payment terms actually destroys value.
- Payment terms need to be considered in relation to billing dates.

Billing and Payment Term Guidance

| <i>Description</i> | <i>Payment Term</i> | <i>Billing Date - when we are able to invoice our services</i> | <i>Effective Term – combination of payment term and billing date by which we get paid</i> |
|----------------------------------------------|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Monthly Fees & Project Fees | 30 days | <p>As early in the month of service as possible and no later than the end of the month of service</p> <p>a) Best: Start of month of service</p> <p>b) Acceptable: No later than end of month of service</p> <p>Where we reconcile time and are paid for our actual hours, one option is to issue an estimated invoice in the month of service with a reconciliation the following month or next suitable period.</p> <p>Where we agree to invoice in arrears of the month of service we need to define arrears as being able to invoice on the last day of that month of service</p> | <p>a) Best: 0 days</p> <p>b) Acceptable: 30 days</p> <p>As we measure payment terms from the end of month of service the following is acceptable for fees:</p> <p>a) 60 days invoiced from start of month of service</p> <p>b) 45 days invoiced in mid- month of service</p> <p>c) In all instances the effective term must be no longer than 30 days after the month of service</p> <p>Note of caution – be mindful of how the terms agreed for fees impact production costs and payment dates to production vendors. Consider the practicality of having differing terms for fees and production costs.</p> |
| <i>Project Charges e.g. Consumer Insight</i> | 30 days | <p>Billing on Milestones.</p> <p>A milestone does not necessarily mean completion or partial completion of a deliverable. A milestone includes project initiation.</p> <p>Milestones are to be referenced by industry and local market norms.</p> | <p>30 days net billed on staged milestones.</p> <p>The combination of milestones and payment days should align when we need to pay our costs with when we receive funds from our client.</p> |
| <i>Production Costs & Media Costs</i> | Variable | <p>Billing should be accelerated such that funds are available when payments to suppliers are due.</p> <p>Incidental expenses such as travel are normally billed in at the end of the month in which they are incurred.</p> <p>Ideally all production costs are on agreed milestones. A milestone does not necessarily mean completion or partial completion of a deliverable. A milestone includes project initiation</p> | <p>Clients’ funds must be received in time for payment to be made to third party vendors.</p> <p>We need to differentiate payment terms for production costs from payment terms for fees. We often see production cost terms matching fee terms with only limited exceptions for advance payment of large costs. This is a key reason why we need to define the actual <u>fee payment term as 30 days or less</u> or ensure the agreed payment terms for production allow</p> |

| | | |
|---------------------------|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | payment to be received by the client prior to payment to third parties. |
| <i>Media – extra note</i> | | The default payment terms position for media is that the client should pay the operating company the earlier of 30 days from date of invoice or 3 days prior to the date that the operating company is due to pay the relevant media owner. In exceptional circumstances, we may be able to negotiate with media owners to give longer terms in line with the industry and local market practice. Where we are successful in negotiating longer terms with media owners we may pass these terms on to the client. Where longer terms are provided to a client careful consideration must be given to ensure that, where applicable, the client's credit terms provided by the operating company do not exceed the maximum payment terms set by the operating company's credit insurer. For markets where the principle of sequential liability is followed for the management of risk, no payments to 3rd parties can be made before funds have been received by the client for those specific costs. |

There are several other important considerations when looking at payment terms and billing dates.

- Many of our clients are reducing the number of monthly payment cycles to minimise costs and to help extend credit terms. For example, a typical client process is an end of month payment cycle with the phrase "payment will be made at the end of the month in which the 30 day payment term expires" or "payment will be made within the first 5 days following the month in which the x day term expires".
- We need to understand when an invoice is formally received by the client and when the client accepts the services have been received and will release the invoice to be paid as this will also impact the time within which we are paid. Be mindful of any contractual terms that require formal acceptance of work by the client before invoicing can occur.
- Be mindful of any contractual terms that require formal acceptance of work by the client before invoicing can occur.
- Payment terms are defined as the days to be paid from invoice date (rather than invoice receipt).
- All payment terms language in client contracts should contain, where laws permit, the ability to charge interest for undisputed invoices outstanding past the agreed term. The language should include the ability to apply outstanding interest, which has not already been invoiced, against any rebates due to be paid to the client. The interest rate should be one that exceeds the greater of WPP's borrowing interest rate or local office borrowing rates.
- There should be a provision that allows an operating company to deny credit to a client if say the coverage of the client's credit insurance is cancelled or if there is a negative change in the client's business or if the client is in persistent violation of the agreed credit terms.
- Ensure purchase orders (PO's) are obtained in a timely manner. You need to reduce the levels of accrued revenue and unbilled production WIP. This is particularly a problem in Q1 and Q2 when PO's may not be released in a timely manner as annual scope and fee negotiations are not closed. You should not begin work unless you are able to invoice for your services at the first available billing point/milestone.

Further many of our contracts include 'no PO no pay' clauses which place the risk on us if we begin work without a PO.

- Ensure payment terms are adhered to and have a process for following up unpaid invoices. You need to continue our focus on the timely collection of all amounts due from clients. Simple processes such as ensuring your invoice has arrived and is acknowledged on the client's systems to chasing collection as soon as the money is due are important.

5.5 Client Compensation

Overview

There are many methodologies for determining compensation however all should ultimately lead to a profitable working relationship.

This policy details the minimum requirements for client compensation and includes additional guidance on several aspects of client compensation.

The Policy

1. **Profit** - All fees, irrespective of the methodology, must be capable of delivering a profit margin consistent with the WPP targets for the respective operating company.
2. **Cost-plus arrangements** - Where fee arrangements are based on cost-plus:
 - a. All costs, both direct and indirect, should be included when calculating fees.
 - b. Overhead:
 - The overhead rate used to calculate fees should be sufficient to recover the actual overhead of the office during the period of the engagement; and
 - The operating company must include an additional allocation of WPP overhead, set at 1.5% of operating company revenue, in its overhead recovery rate. This covers costs incurred directly by WPP but not recharged to the operating company and therefore not in the operating company P&L.
3. **Periodic review of billing rates** – Billing rates must be reviewed and renegotiated annually with clients to account for changes in market conditions and underlying salary and operating costs.
4. **Standard time** - Standard days (and/or hours) should be no more than that specified in the employment contract for that operating company in the relevant market.
5. **Incentives** – Incentives must be realistic and attainable and paid in an active currency.
6. **Most Favoured Nations / Most Favourable Terms** - Each client's remuneration deal is unique and specific to that client. We do not allow pricing clauses that give a client a commitment to prices at least as favorable to those granted to any other client.

7. **Documentation** - Compensation arrangements must be documented in writing prior to commencing the work.
8. **Confidential information** – We do not disclose the following to clients:
 - a. Data that would permit a client, directly or indirectly, to calculate employee salaries; or
 - b. Overhead or operating expense items, in detail or summary format.

Guidance

1. **Pricing** – Pricing is how you sell the value of your work and without a strong value proposition you are at risk of being perceived as a commodity. Consequently each operating company should have a pricing strategy to support its value proposition. If you start with the wrong pricing for the agreed upon services, no matter how well you manage scope, you will struggle to deliver the expected profit.
2. **Accurate scoping** – A key aspect of operating company profitability is the ability to monitor scope and to charge for additional work not contemplated in the scope – better known as scope creep. Delivering more work than anticipated results in margin dilution, not just because you are not paid for work done by the client but you also lose the opportunity to sell that time to other clients. Scopes of work should be reviewed and then documented in detail and in writing to the client to improve the profitability of the work. Consideration should be given to inclusion of a contingency, clarification of scope dependencies and what is likely to be additional work and subject to additional fees.
3. **Overhead** – If you have a cost-plus arrangement that includes a defined overhead recovery rate, the preferred methodology for calculating the overhead recovery rate is to base it on direct staff costs including employer social / payroll taxes, bonuses and benefits. Overhead recovery rates vary greatly on a market-by-market basis and should be documented in multi market agreements. You may need to consider adjusting your overhead recovery rate for one off credits or extraordinary expenses in any given year and include any significant changes to your cost base such as office relocation, rent increases and personnel raises, especially in high inflation markets.
4. **WPP overhead** - The additional WPP overhead of approximately 1.5% of operating company revenue, noted in the “Cost-plus arrangements” policy point above, includes treasury, internal audit, legal, real estate, risk management, purchasing, training, and HR. A copy of the audit report substantiating this charge is available from WPP Global Client Operations and may be used for support during a client audit.
5. **Standard time** - Be mindful that, across WPP, there may be hundreds of client relationships with a single client. Metrics such as standard time, whether days or hours, should be calculated for each market and each operating company due to differences between local markets and between operating companies in each market.

| | |
|------------------------------|-----|
| <i>Standard Time example</i> | |
| 52 weeks x 5 days | 260 |

| | |
|------------------------------------------------|------------|
| Less public holidays | (10) |
| Less average holiday/vacation allowances | (20) |
| Less average non billable days e.g sick days | (5) |
| Less maternity/paternity leave (if applicable) | x |
| Less training allowances (if applicable) | x |
| Standard days | 225 |

6. Incentives:

- a. Incentives are not an alternative to an acceptable base compensation for satisfactory performance.
- b. “Above expectation” performance should be rewarded with “above average” margin. Apply the economic principle that more risk equals more reward e.g. for each 1% of revenue at risk, the reward should be 2-3%.
- c. The incentive plan should drive a shared focus by the operating company and by the client on what is most important for the client, by establishing a set of key performance indicators (KPIs) which should be clearly defined and documented.
- d. The KPIs should be: measurable; more objective than subjective; easily understood by the operating company and client; where applicable, aligned with how the client’s own employees are rewarded; capable of being influenced by the operating company; and flexible so the incentive can evolve over time.
- e. KPIs typically come in the form of service evaluations and/or achievement of specific deliverables and/or the client’s achievement of its own business performance targets.
- f. Limit the fee at risk for i) performance evaluations since they are subjective and open to interpretation, and ii) the client’s business performance in circumstances where the operating company is unable to directly contribute towards it.
- g. Avoid the client withholding an amount equal to the at risk portion of the incentive. Payment during the year by a client should equate to “satisfactory” performance by the agency
- h. You should be confident that a client will budget and accrue for the incentive payment during the year to improve the likelihood of payment. The evaluation should be done as soon as practicable after the period to which it relates and any payment due from the client should be made without delay.
- i. Client agreements should include a provision for an incentive to be paid on a pro rata basis up to the data of termination.

7. Don’t disclose confidential information:

- a. You should never disclose individual employee salaries to clients, however you may provide weighted average staff costs by department for the employees providing the services as long as it does not allow an individual’s staff costs to be calculated.

- b. You should never disclose operating company overhead or operating expense items to a client, you may disclose:
 - indirect staff costs and
 - ‘all other’ indirect operating expenses *as a percentage of direct staff costs*.
 - c. You should politely refuse requests for further information on operating categories such as establishment costs, office expenses, personal costs and commercial costs or specific costs such as incentive compensation, pension costs, new business and bad debts. These items are confidential to WPP and must not be released to third parties.
 - d. Where the client has a contractual right of audit, then the operating company CFO or WPP Internal Audit or the client’s auditor may attest to the accuracy of the operating company’s calculations. Please refer to the WPP Audits by Clients Policy at 5.6 and Confidential Information at 5.9 for further detail.
8. **Rates based on actual or average staff costs** - For cost-plus models it is preferable to use banded salaries by position, rather than specific person-by-person salaries when calculating rates.
9. **Periodic review of billing rates** – In addition to policy point 3 above requiring an annual review of rates to reflect market and cost changes, in high inflation markets you should reserve the right to have a more frequent adjustment of rates. Rate adjustments can be based on either actual cost changes (e.g. actual salaries and rent) or a notional alternative such as a publicly available index e.g. Consumer Price Index or salary inflation data available from most local HR teams.

10. Benchmarking

- a. Titles - Benchmarking is difficult in our industry because there is no uniformity between titles and actual roles and responsibilities, and consequently salary cost. However, it is a common negotiating tactic for clients’ to tell us, for example, that we are “20% more expensive than everyone else” based on their benchmarking data. Ask the client to share their benchmarks and then interrogate the source, recency, robustness and relevance of those benchmarks.
- b. Overhead rates – There is a misinformed view that causes confusion about overhead recovery rates. There are no standard overhead rates or benchmarks nor does a lower overhead rate indicate a measure of efficiency. Overhead rates are merely a ratio of indirect to direct cost and there are significant variances between operating companies, across markets and even in the same market. A high overhead may, for example, represent an investment in technology, which results in lower employment costs, leading to a lower fee. The Global Operations team can provide you with further details to substantiate this claim.

11. Reconcilable fees

- a. If you have a reconcilable fee (e.g. time and/or rates), provisions should be made where you can recoup additional funds if you have overages, or vice versa provide a credit. “Not to exceed” pricing agreements should

be avoided. We should make the client aware of any likely overage at the earliest opportunity to avoid the client being presented with a surprise, which results in push back to our request. This should be presented with explanation of the variance, for example, additions to scope, staff mix or salary changes.

- b. Clients may choose to retain a fixed percentage of the time of an employee rather than work on a day-to-day basis. A person that is 100% bought-out by a client has full utilization and provides you with greater certainty versus staff sold on a daily basis. It follows that you may therefore charge higher rates for individuals sold on a day basis to allow for the higher risk of under utilization compared to those 100% sold.
 - c. Avoid selling the time of individuals on fixed retainers at levels such as 90% or 95% of their available time where in practice it would be highly unlikely the remaining time will be sold.
12. **Travel time** – You should endeavor to charge for all time spent on the clients behalf, including travel time since our employees often use this time to perform services for the client.
13. **Freelancers** – Freelancers use operating company infrastructure and management time in the same way that employed personnel do. In some respects freelancers use more company overhead (e.g. set up such as contract and system access). It follows therefore that freelancers which form part of your flexible resource pool should be charged in the same way as your permanent employees, and not as a pass through cost.
14. **Service credits / Performance penalty/ Liquidated damages** – You should avoid arrangements where we pay the client a penalty fee for non-delivery of specified services, scope, deliverables or timing of delivery. These arrangements are often subjective and the payment, or credit, may not be aligned to the actual value of the client's loss
15. **Growth credit/rebate**
- a. Growth credits/rebates are not the norm and are not encouraged. They should only be granted when there is net year-on-year incremental growth in the client's business and credits/rebates must be a small percentage of our expected margin. Always be mindful of any WPP level arrangement that already exists and of setting a precedent for other operating companies.
 - b. Credit on Invoice – you should not provide a client with a fixed discount (e.g. 4%) on all of your invoices in lieu of a volume discount. Experience has shown that providing a discount on each invoice does not encourage behaviour by the client to give us more business.
 - c. A service credit is preferred to a cash rebate to reward the client for growth. The amount should be agreed shortly after the respective period end and the credit should expire after a set period e.g. one year.
 - d. The revenue floor that triggers the growth rebate should be adjusted upwards to reflect the latest annual revenue. However if the revenue falls from one year to the next, the revenue floor should remain at the

previous highest level in order that we do not provide a rebate on revenue growth to recover revenue back to the previous highest level.

- e. Revenue used to calculate growth is based on paid and undisputed operating company fees taken from company billing registers. It is recommended that you exclude: (i) non-majority WPP owned operating companies; (ii) out of pocket and pass through costs e.g. media billings; (iii) income the operating company receives from vendors e.g. early payment discounts when the client pays late; (iv) acquisition or divestment of either a WPP or client company/brand; (v) client incentive compensation; and (vi) to ease administration, markets where annual fees are less than, say \$100k.

16. **Most favoured nations (“MFN”)** – MFN (also known as “Most Favourable Terms”) provisions require the operating company during the contract term, usually with associated audit rights, to give a client terms at least as favourable to those granted to any other client. These terms must not be accepted: (i) they are not appropriate in a service business and especially to complex marketing services where each client’s pricing is bespoke and based on many variables from global volumes to incentive arrangements; (ii) you may not allow clients to audit other clients’ rates; (iii) pricing commitments are usually the result of a competitive pitch and our offer should be the frame of reference; (iv) they place a risk on revenue; (v) clients can benchmark our rates by alternative means; and (vi) if it’s not measurable, it shouldn’t go in a contract.

Training

There are many training options available on negotiation and working with procurement that can be tailored to help you and your operating companies negotiate with your clients. If you would like information on this please contact the Global Operations Team.

5.6 Audits by Clients

Overview

Client audits have become more complex and extensive and we are regularly asked to provide audit rights not just to demonstrate good financial stewardship of client monies but also compliance with other contractual terms including use of personal information, confidentiality and anti-bribery & corruption.

We believe an audit provides us with the ability to demonstrate good contractual stewardship. Any audit rights must be clearly detailed in the client-operating company contract. We respect our clients' rights to review the transactions we execute at their request and our compliance with other contractual provisions, whilst permitting the operating company to protect its own confidential and proprietary information and also that of its other clients.

While we respect client requests to undertake audits, we also ask them to acknowledge that audits are resource intensive for the operating company and, given the breadth and depth of our client base, there may be a number of audits that the operating company needs to schedule.

To ensure an efficient and effective audit both for clients and the operating company, we have an audit policy and guidance which outlines minimum requirements concerning the type and scope of audits, the competency levels of the auditor and other criteria we expect from any auditor. The policy also details the permissible use by the auditor of data and information obtained during an audit.

Types of auditor:

Note the auditor type should be a defined term in your Client Contract to ensure both parties are aware of what these designations mean.

"The Big 4" firms are KPMG, PwC, Deloitte and Ernst & Young. These firms represent all the characteristics of a Certified Public Accounting Firm on an international scale.

"A Certified Public Accounting Firm" is nationally or internationally recognized; is certified by a regulatory body to attest to the accuracy of the accounts of publicly traded companies; specializes in audit; has professionally qualified staff; is a member of a professional accounting body that promotes knowledge, skills and a commitment to the highest professional standards and integrity; and is independent.

"Client Internal Auditor" is the client's internal audit group.

"A Specialist Audit Firm" is a third party auditor which is neither a Certified Public Accounting Firm nor a Big 4 and has the following characteristics: specializes in audit; has professionally qualified staff; staff are members of a professional accounting body that promotes knowledge, skills and a commitment to the highest professional standards and integrity; and is independent.

"WPP Internal Audit" is WPP's internal audit group.

Consultants are not auditors and are not permitted to undertake audits.

“A Consultant” is neither a Big 4, nor a Certified Public Accounting Firm nor a Specialist Audit Firm. It may or may not employ personnel who are qualified accountants (e.g. CPA or Chartered Accountant) and it may be staffed by ex-operating company personnel. They typically assist clients in compensation and pricing in contract negotiations.

The Policy

1. **Audits must be according to the terms of the client contract** – Both the auditor and the records that are subject to audit should be clearly defined in the contract. In the absence of specific contractual audit provisions in an agreement, the client does not have an automatic right of audit.
2. **Audit is a client cost** - The client is responsible for the cost of the audit including the cost of their personnel and any third party auditor.
3. **Operating company approval is required for use of Non-Big 4 auditors** - Any auditor appointed by the client, other than a “Big 4”, requires the prior written approval of the operating company in accordance with the respective operating company group’s approval processes.
4. **Client or operating company appointment of auditor** - For most audits, the client will appoint the auditor. However, WPP or operating company appointment is required for audits whose scope includes one or more of: confidentiality, privacy / personal data, IT & security and anti-bribery & corruption as noted in policy point 15).
5. **Independence** - To ensure auditor independence, we do not permit Consultants (e.g. management or compensation consultants) to perform audits or to gain access to financial records and, similarly, audit firms that we allow to perform compliance audits will not also be permitted to work as consultants. Additionally, we do not permit an audit by an auditor that is remunerated on a contingency or share of findings basis.
6. **Period subject to audit rights** - Audit rights should apply only to periods where contractual audit rights apply, ideally only to records from the previous 3 years and never exceeding WPP’s record retention policy of 6 years or as prescribed by local law if different. A client contract should not require WPP to destroy documents sooner or later than provided by our policy.
7. **Expiry of audit rights** – Audit rights should ideally expire when a client contract terminates and should never exceed 1 year following the date of termination of a client contract.
8. **Notice, frequency, duration, location and availability of records** – Audits should be subject to: reasonable notice, e.g. 30 days, although shorter notice may be granted where there are grounds to suspect fraud or breach of law or to assist the client with legal or regulatory requirements; taking place during business hours and at our premises; a maximum of 1 audit in any calendar year and, for international contracts, a limit on the number of markets subject to audit each year; “audit blackout” periods to accommodate religious holidays or operational considerations such as financial year end; and records only being available for audit after the expiry of, e.g. 90 days, from the time the record was created, due to administrative or processing lead times.

9. **Prior to the start of the audit:** the auditor will be required to sign a non-disclosure agreement in a form acceptable to the operating company, confirming that information obtained during the audit will be kept confidential and only used for the purpose of the audit. We do not permit data and information to be used by the auditor for any other purpose including as a benchmark for its work for other clients, prospective clients or industry bodies; a scope of work is to be agreed with the auditor; and non-Big 4 auditors are required to demonstrate that they have professional liability insurance with \$2million coverage, per occurrence.
10. **Reasonable Assistance** - The operating company will afford the client reasonable assistance during the audit and the auditor will be granted access to the applicable operating company locations and operating company staff involved in the provision of the services or responsible for payments made or received.
11. **Exclusions from right and scope of audit** – These include “output-based charges” (which by definition are not based on auditable inputs), fixed pricing arrangements, individual payroll and personnel files (subject to point 13b)), non-disclosed media sales, information of operating company’s other clients, operating company’s overhead costs or non-billable expenses (subject to point 13b)), information subject to restrictions in operating company’s agreements with third parties and operating company’s IT systems and servers. We do not permit clients to undertake audits across our business outside the scope of the services we provide to them.
12. **Reimbursable costs** - Clients may, using an appropriate auditor as set out in the table at the end of this document, audit reimbursable pass-through costs e.g. media and production costs.
13. **Fees** – Where a fee is dependent on a specific contractual methodology with a related audit right, then clients may, using an appropriate auditor as set out in the table, review the following items where applicable. The auditor should attest to the accuracy of the calculations only and must not, for example, disclose any individual personnel cost or overhead cost data to the client.
 - a. **Time reports** - Where the fee is dependent on time reporting and is not a fixed-price arrangement, clients may review time reports of the personnel that perform services for the client, limited to the time spent on the respective client and in certain instances the total time spent on all clients. Records that relate to other clients and operating company time such as administration, new business and training shall not be made available to the auditor and are to be redacted from any reports given to the auditor. If necessary, the operating company can provide an extract of the time records, the accuracy of which will be attested to by the operating company CFO or by WPP’s Internal Auditors.
 - b. **Personnel / payroll cost** – We should never disclose data to a client that would permit a client, directly or indirectly, to calculate individual employee salaries. Our preference is to use average salaries as the basis of fees or for operating company CFOs or WPP Internal Audit to attest to the accuracy of the data. Where the fee is a cost plus arrangement dependent on actual payroll costs, the auditor may review

the payroll records of the personnel that perform services, but only on our premises and the auditor may not be allowed to make copies for their files.

- c. **Overhead / operating expenses** – We never disclose operating company overhead or operating expense items, in detail or summary format, to a client. Where the fee is dependent on actual, rather than fixed, overhead then the auditor may review and attest to the accuracy of the calculations.
 - d. **Client and or project profitability reports** – Disclosure of profitability reports to a client, their consultant or auditors is not permitted. However, in the exceptional circumstances where the fee is dependent on a defined margin and, guaranteed to be paid by the client, then the auditor may review and attest to the accuracy of the calculations.
14. **Process compliance audits** - Clients may, using an appropriate auditor as set out in the table, review process compliance e.g. triple bid and approval of work processes. These audits should be aligned to specific contract clauses and broader compliance audit rights must never be given.
15. **Confidentiality, privacy, IT & security and anti-bribery audits** – While WPP insists on the highest level of compliance from its operating companies and recognises the importance of providing assurances to clients, we also recognise that these are very complex and specialist areas and we are often obliged to protect our own, our employees' and our other clients' confidential information. Where possible, we should avoid agreeing to the following audits but where this is unavoidable, any audit rights and / or audit must be approved by WPP's Legal Team to ensure consistency with WPP policies. We prefer audits to be undertaken by WPP Internal Audit. Appointment of other auditors noted below is at the client's expense and audit scope should be mutually agreed in advance and limitations placed on audit duration.
- a. **Confidentiality audits** – A client's right to audit the operating company's handling of their confidential information should be clearly defined to avoid them being overly broad. Auditors must be appointed by the operating company or jointly by the operating company and the client.
 - b. **Privacy / personal data audits** - Audits of the operating company's compliance with data privacy laws may vary by country and may focus on the operating company control and processing of personally identifiable data. Auditors must be appointed by the operating company or jointly by the operating company and the client.
 - c. **IT & security audits** – Verification of the operating company's controls and procedures protecting the client's sensitive data and / or compliance with data privacy laws. They may include a review of our IT and security environment including disaster recovery ("DRP") and business continuity plans ("BCP"). As they contain sensitive information, DRPs and BCPs are redacted, must not be copied and can only be viewed at the operating company's offices. We prefer to solely appoint the auditor or use WPP Internal Audit but we may consider a joint appointment with the client. The audit report must be limited to notification of material breaches of contractual security protocols.

- d. **Anti-bribery and corruption (ABC) audits** –The operating company’s compliance with ABC laws such as the Foreign Corrupt Practices Act and UK Bribery Act. Auditors must be appointed by WPP or in consultation with WPP, by the operating company.
 - e. **Sustainability audits** – audits of the operating company’s social and environmental performance. Audits will be carried out by WPP, or in consultation with WPP by the operating company.
16. **Review of the draft audit report** - When the auditor is appointed by the client or jointly appointed with the operating company, the operating company should be permitted with reasonable notice e.g. 5 working days, to review and comment upon the draft report prior to the report being presented to the client. Where the auditor is appointed solely by WPP or the operating company, the client will receive a summary of the audit report from the operating company.
17. **Subcontractors** - We are unable to grant audit rights on subcontractors unless they are majority owned or controlled by WPP. We can grant reasonable endeavours to give the client audit rights over those companies or affiliates that are not majority owned or controlled by WPP.
18. **SAS 70, SSAE 16 and similar audits** - Statement on Auditing Standards No. 70 (SAS 70), issued in 1992, addresses reporting on controls at service organizations. Service Statement on Standards for Attestation Engagements 16 (SSAE 16) is an update and replacement of SAS 70. These audits are not appropriate (and usually not relevant to a client) given the complexity of the services provided by WPP and consequently we do not undertake these audits and we do not permit clients to undertake these audits of our operations.

Guidance

- 1. **Redaction of records** - A consideration in permitting an audit by a Client Internal Auditor is the administration involved in redacting the underlying documentation to protect our other clients’ confidentiality. Where redaction is overly burdensome, the audit sample should be limited or the audit denied, with the policy consistently applied to all clients.
- 2. **Representation letters** - Any audit representation letter requested from the operating company by the auditor should only require the operating company to attest to specific provisions of the client contract. Operating companies should not attest to anything beyond the terms of the client contract.
- 3. **Remediation plans** - If the audit reveals any opportunity for improvement then a remediation plan should be developed and implemented in consultation with the client where applicable.
- 4. **Refunds** - Any amounts overcharged by the operating company identified during the audit should be refunded to the client after the operating company has satisfied itself that the refund is legitimate and vice versa in the event of an undercharge. Conversely any amount undercharged by the operating should be refunded by the Operating Company.

5. **Payment of audit costs when material errors are found** - Audits are considered a client's cost of business and should not be borne by the operating company. Where a material error is discovered you will likely enter into a negotiation with the client, and at that time audit cost reimbursement may be addressed. You should not however agree at the outset to pay the costs of the audit if a material error is found. However, where the client contract negotiation obliges the operating company to pay for the audit if a material error is discovered, then define a de minimis error value (set so the operating company is only responsible for costs when a significant value error is found) and limit the reimbursement to the client's actual and reasonable third party expenses only.
6. **Audits by government and regulatory bodies** - We may have no choice, depending on the industry sector e.g. finance and pharmaceutical, to agree to these audit provisions but operating companies should seek the appropriate advice from legal counsel as this is a complicated area. Audits under these circumstances may be demanding of operating company time and client contracts should clearly note that the client is responsible to pay for the operating company's time and any third party costs associated with these audits.
7. **Imposing audit rights on subcontractors** – In addition to policy point 17), differentiate between subcontractors and vendors as we should not be obliged to impose audit rights on vendors.
8. **Ex-WPP personnel working for auditors** – To ensure former WPP employees do not inadvertently breach the confidentiality provisions of their former employment contracts, the auditor should not involve a former operating company employee in any audit of a WPP operating company until the expiry of one year from the termination date of their operating company employment contract.

| Type of audit (policy point) | Type of auditor (Approved = Yes; Not approved = No) | | | | | Comment |
|----------------------------------------|-----------------------------------------------------|-------------------------|----------------------------------|-------|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Client Internal Auditor | Specialist Auditor Firm | Certified Public Accounting Firm | Big 4 | WPP Internal Audit | |
| Financial stewardship | | | | | | |
| Reimbursable cost excluding media (12) | Yes | Yes | Yes | Yes | Yes | Client has the right to audit reimbursable costs. When audited by client Internal Auditor, records may require redaction to protect other clients' confidential information. |
| Reimbursable media cost (12) | No | No | Yes (Note 1) | Yes | Yes | Note 1: Any audit of operating company level rebates is limited to Big 4 and WPP Internal Audit. |
| Time reports (13) | Yes | Yes | Yes | Yes | Yes | Client has the right to audit time sheets if the fee is dependent on time reporting. Audit is limited to personnel who spent time on client and in certain instances total time spent on all clients. Time relating to other clients, new business & training to be redacted. |

| | | | | | | |
|---------------------------------------|-----|-----|-----|-----|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Personnel / payroll costs (13.b) | No | No | Yes | Yes | Yes | Client has the right to audit salaries or staff costs only where the fee is dependent on actual costs and the client has an explicit audit right against an agreed methodology. The auditor should attest to the accuracy of the costs used in the overall calculation and must not disclose any individual personnel costs to the client. They auditor may also only view these on our premises and may not take copies of the any personnel records. |
| Overhead and operating expenses (13c) | No | No | Yes | Yes | Yes | Client has the right to audit overhead and operating expenses only if the fee is dependent on a calculated overhead and the client has an explicit audit right against an agreed methodology. The auditor should attest to the accuracy of the overall calculation and must not disclose overhead or operating expense details in summary or detail to the client. |
| Client profitability (13d) | No | No | Yes | Yes | Yes | Client has the right to audit profitability only if the fee is dependent on a fixed profit and the client has an explicit audit right against an agreed methodology. The auditor should attest to the accuracy of the overall calculation and must not disclose personnel or overhead details in summary or detail to the client. |
| Other compliance type audits | | | | | | |
| Process compliance (14) | Yes | Yes | Yes | Yes | Yes | Audit must in accordance with specific contractual rights. |
| Confidentiality (15a) | No | No | No | Yes | Yes | Requires WPP Legal Department's approval before any audit right is granted or audit undertaken. |
| Privacy / Personal data (15b) | No | No | No | Yes | Yes | Audit will be in line with good industry practice. Client does not receive a full audit report where directly employed by either the operating company or WPP, though they should receive notification of any material breaches that are in line with the agreed security protocols. |
| IT & Security (15c) | No | No | No | Yes | Yes | |
| Anti-bribery & corruption (ABC) (15d) | No | No | No | Yes | Yes | With the exception of ABC audits where the auditor must be appointed by WPP or the operating company, for the other audits, the auditor must be directly appointed solely by operating company or WPP or jointly appointed with client. Any ABC audit must begin with the client having a bona fide reason of an ABC breach. |

5.7 Cross Border Billing, VAT, Sales Tax and Treasury

Overview

WPP companies are often asked by clients to assist in the financial management of the client's budget through centralized or cross border billing. The tax and currency issues with cross border billing for any aspect of client service are complex and can create a substantial financial risk if not managed correctly. You should only consider cross border billing for significant clients and with the approval of WPP tax and treasury.

The related administration and operating company resource required to manage the process may also be significant and should be considered.

For the purposes of this policy, central billing refers to coordinated billing on behalf of the client out of one office, and cross border billing refers to invoicing to an entity outside of the country in which the services were performed.

The Policy

1. The client must be financially responsible for all indirect taxes (VAT, GST, Sales and Withholding tax) and currency fluctuations.
2. WPP Tax and Treasury must approve all proposals for *central billing* of services or reimbursable expenses.
3. Regional management must approve all *cross-border* billing, involving WPP Tax & Treasury where necessary.
4. The client contract must contain indemnity from the client for VAT, GST, Sales and Withholding taxes that may subsequently be charged by local authorities.
5. If Withholding tax is deducted, the client is required to gross up the payment to the operating company until full payment is received from local authorities. Any tax refund from the local authorities can then be subsequently returned to the client.
6. Work estimates must include all applicable taxes.
7. Invoices should be raised in the currency in which the costs are incurred. If this is not possible the transaction should be FX neutral – i.e. the operating company should not suffer any foreign exchange gain or loss as a result of billing in a different currency.

Guidance

In accordance with the policy the client must bear the cost of all currency and tax risks from cross-border and foreign currency billing. There are a number of ways this can be handled with the client and either your regional operating company Management or WPP Tax and Treasury should be contacted to determine the best approach on a case-by-case basis. In some instances the savings for the client from cross border and centralized billing are negated by the additional taxes and currency risks that arise.

For large global or regional relationships, central invoicing and distribution of funds to partner operating companies may occur. Often taxes are

incurred not just at the time of billing but at the point the central billing operating company distributes the fees back out to the local operating companies that have earned those fees (or incurred the third party expenses). While it is an operating company-to-operating company distribution of funds that gives rise to taxes and currency risk, the client must cover these costs, as they would have done so, or avoided such costs, if these billings been managed on a local basis.

VAT (or GST, Sales tax etc.) and withholding taxes can be up to 30% of the invoiced amount and so it is critical that any discussion with your client to instigate central billing be prefaced with the fact that these taxes are the responsibility of the client. We will of course work with our client's internal tax and treasury departments to come up with a tax efficient solution however they must be aware at the outset that this is not an operating company cost.

Some markets change the laws regarding withholding frequently and particular care and diligence should be taken when undertaking cross border transactions with these countries. Effective 15 May 2013 these include:

- China
- Russia
- Brazil

For more information regarding these countries please contact WPP Tax specialist Kevin Farewell (contact details below).

Given both the absolute size of media billings and also the relative size of media billings to the operating company's underlying remuneration, cross border invoicing of media billings requires special attention given the magnitude of the potential risk.

Practical Considerations

1. Document the process and have both operating company and client sign off.
2. Consider the time and labour cost of managing central billing and cross border transactions. It may be appropriate to charge this time as part of your team structure or as overhead – use your judgment.
3. Train those handling the invoicing and payments to ensure both client and operating company staff understand the process.
4. Consider whether your financial system has the capability to invoice in a different currency.
5. For transactions billed in a foreign currency you may want to consider adding a 3-5% contingency to the spot rate to allow for foreign exchange movement. Any variance can then be refunded to the client once reconciled.
6. Agree a reconciliation period with your client (e.g every 3 or 6 months).
7. Consider any upfront legal costs that may be required to set up central or cross border billing
8. Consider all entities that will experience an FX gain/loss.

9. When estimating/quoting work be sure to include any applicable taxes and allowance for foreign exchange fluctuations as mentioned in point 5 above.
10. This can be a complicated process that may result in payment delays – consider whether you should factor this into the payment terms you agree with your client.

For help contact:

Kevin Farewell – WPP Tax kfarewell@wpp.com

Tom Lobene – WPP Treasury tlobene@wpp.com

Ric Azoulay – WPP Tax razoulay@wpp.com

5.8 Client Contracts and Insurance Provisions

Overview

WPP's business practice is to have appropriate levels of insurance to protect our company's assets, our employees, and our client's assets. Clients will often require contract terms whereby the operating company is required to maintain a minimum level of insurance in the areas of:

- Workers' compensation (also called employers liability).
- General liability (also called public liability).
- Automobile insurance (not typically relevant outside the US).
- Advertiser's liability / error & omissions liability (also called professional indemnity).

The Policy

1. Clients can never be added as 'named insured' parties on any WPP policy.
2. Clients can only be added as 'additional insured' parties on the general liability and on the automobile policies, but not on any other policy.
3. The existing insurance policies cover all majority-owned WPP operating companies that have a minimum of 50.1% direct or indirect ownership by WPP plc. Separate insurance coverage will be required for all other affiliated companies, at their own expense. Global clients would be covered for work performed by WPP affiliate and associate companies in regards to professional liability and errors & omission type issues.
4. When negotiating global contracts that cross divisions where multiple operating company agreements will be executed with a client, a limit to the total advertiser's liability insurance should be capped. Operating companies should seek advice from WPP's Group Risk Officer or WPP's Global Client Operations team as to the appropriate level of the cap, and should be aware that the limits set out in insurance summaries are limits that apply to the whole WPP Group.
5. For all other insurance provisions, the limit for insurance levels and suggested contract wording that complies with WPP's policies is available from WPP's Group Risk Officer or WPP's Global Client Operations team.

See also Client Contracts Policy 5.1 and Legal Toolkit for issues related to consequential loss, IP related claims etc

Guidance

Naming clients on the advertiser's liability policy would negate the cover afforded by the policy because an insurer would not cover a claim made by one insured party on the other insured party under the policy. Policies contain an 'indemnity to principal' clause which should suffice in place of naming a client on our policy.

Operating companies cannot give clients notice of changes to, or cancellation of, policies as this is simply not practical given the size of WPP's business.

Clients cannot dictate which insurer's operating companies use – avoid wording, which requires insurers to be “acceptable to the client”.

Clients and vendors should never be given the WPP insurance policy deductible level. This is information that is only available for internal use. The deductible is the amount the operating company is required to pay before our insurance pays out.

Insurers will not waive their rights of subrogation (or ‘step-in rights’) against clients and wording in client contracts, which requires this should be deleted. This is the insurer's right to sue the client directly if the client caused the loss.

Certificates of insurance showing the agreed coverage can be provided on request, but policy documents will never be provided to clients.

Remember that policies are placed on a group basis, and be aware that what one operating company agrees to may have an impact on the cover in place for the rest of the group.

WPP's insurance policies are purchased from insurers that meet the AM Best rating of A-VII. Agreeing to a client's request for a higher rating (say A-VIII) would be made only by checking with the Group Risk Officer.

WPP insurance manuals can be found at:

<https://inside.wpp.com/InsideWPP/Business/Departments/Finance/Risk+management/>

WPP Group Risk Officer

New York:

Ron Pearlroth rpearlroth@wpp.com

5.9 Confidential Information

Overview

WPP's policy on confidentiality is intended to ensure operating companies and their clients, suppliers and other third parties they work with, remain vigilant in the handling of confidential information and have proper protocols in place to protect confidential information. This includes ensuring that staff do not post sensitive information online or in social media, or use it in their portfolios.

Confidential information can relate to any subject matter and be stored in any form (whether hard copy, electronic or even stored in people's minds). Examples of confidential information include a new product design, a marketing strategy and software code, business plans, media plans, management accounts, trade secrets, know-how, business and financial information and other proprietary information or data disclosed to one party by the other or incorporated in materials or products provided to one party by the other.

Personal Data or PII is information that would typically fall within the categories described above and so must also be treated as confidential.

The Policy

1. Confidentiality agreements (also called non-disclosure agreements or NDAs) must be used wherever confidential information is being disclosed or received. If an appropriate NDA is not available, WPP Legal can provide one.
2. NDAs must be mutually binding on both parties where information is flowing both ways.
3. Confidential information should not be disclosed, directly or indirectly, without at least obtaining the prior consent of all parties having a potential interest.
4. The use of confidential information must be limited to services or business applications that solely relate to a specific client or supplier scope of engagement.
5. Access to and use of confidential information must be structured in order to adhere to all confidentiality arrangements and needs that have been established by the parties.
6. Teams working on conflicting assignments must be physically separated.
7. Client information must be segregated by physical or logical measures. (Refer to WPP Guidance note: Data Privacy, Security and IT terms in Client Contracts – Navigating a complex area with Clients (February 2014)).
8. All staff members (including freelancers and independent contractors) must receive training on confidentiality, and are required to execute an operating company confidentiality agreement.
9. Special attention must be paid to any particular requirements in relation to confidential information set out in any client contract, and appropriate steps

taken to ensure that all staff working on the account comply with such requirements.

More information on protecting Confidential Information can be found on Inside WPP [here](#).

Guidance

Confidentiality Agreements

Confidentiality agreements should never contain:

- Any transfer of operating company copyright or any other intellectual property (IP) rights to the other party;
- Any restriction on the operating company's ability to work for competitors of the other party (or anyone else);
- Any restriction on the operating company's ability to engage staff or work with certain suppliers etc.; or
- Financial penalties or liquidated damages which kick in automatically if there is a breach.

Confidentiality agreements should always contain:

- A clear definition of the confidential information to be protected, which will vary depending upon the nature of the relationship between the parties and should not include publicly available information;
- A clear obligation to keep the information secret and to use it only for the permitted purpose, which should be clearly described (e.g. taking part in a pitch);
- The circumstances in which, and persons to whom, the receiving party is permitted to disclose the information (which should include auditors and legal advisors);
- What happens to information and records if the project is cancelled: usually the information should be destroyed or handed back, but it is best practice to keep a secure back-up copy in case it is needed for legal reasons later on;
- The duration of the agreement: a realistic time period for the duration of the agreement should be set depending on the type of information being protected. Information should not be stated to be confidential for 10 years if it will be released into the public domain in 6 months.

New business

The principles above also apply to the new business process. Factors involved in formulating an RFP response are often unique to the business opportunity that is under consideration, and will prompt you to provide confidential information relating to the your engagements with other clients. Proprietary information submitted by you and your suppliers when responding to an RFP should be treated as confidential information, as should any creative ideas or concepts which are submitted in a pitch situation.

NDA's should always be put in place with prospective client's, any third party that you are collaborating with, and all procurement and pitch

consultants. All materials presented should be clearly marked with a copyright and confidentiality notice (see example below) and, if you are a member of a trade association (e.g. the IPA or 4As) which operates a pitch protection scheme, it is good practice to register the work under the scheme. If you are not successful in the pitch, the prospective client should not be entitled to use any work presented without paying a fee.

Example copyright and confidentiality disclaimer:

Copyright © [Year] [Company Name] [Limited] (“Operating Company”). All rights are reserved.

This document/presentation contains confidential and proprietary information and methodology belonging to the Operating Company. No part of this information may be disclosed to others, nor may it be used, reproduced, copied or transmitted in any form or by any means, electronic, mechanical, or otherwise without prior written permission of the Operating Company, and this document/presentation must be returned immediately upon the Operating Company’s request.

Even with a NDA in place, consideration should be given to what may be disclosed. For example, due to financial regulatory rules, you cannot disclose any non-public financial information. Financial information should be based on what is disclosed publically. You also should not disclose information on other clients (e.g. client billings). If requested, a list of “top 10” largest clients may be shared in alphabetical order (not size order). Be mindful that a client relationship can only be included if you are sure the presence of the client is a matter of public record and the client has not requested that you do not use their name in credentials.

A client may legitimately wish to get an idea of your office size and scope in a pitch. You are able to disclose information on revenue and headcount in very broad bands. e.g. for revenue: less than 10m, 10-25m, 25m-50m, more than 50m etc. You cannot not disclose profit details.

Exclusivity/Conflicts - Physical security including building access, a clear desk policy, and locked storage (and segregated office areas where necessary) should be followed at all locations.

You should ensure you have appropriate procedures in place to manage reassignment of staff, including a reasonable “cooling off” period if moving between conflicting assignments within the Group.

Benchmarking

Our view is that more detailed information is not necessary to allow a client to benchmark our costs with our peers, and may even be misleading as neither we nor the client can ensure the same definitions are used.

Additionally it is the agencies task to manage these costs in their entirety to deliver the right result. A decision may be made to invest more in one area and reduce another and a line-by-line comparison could be misleading. See also Client Compensation policy 5.5.

More information on how to protect Confidential Information can be found on Inside WPP [here](#).

5.10 Client Conflicts and Competitor Restrictions

Overview

It is common for clients to seek to limit the operating company's ability to work for competitors of the client. This is a restrictive practice, which could severely limit the operating company's ability to generate revenue. The client's perspective is that they want to avoid any possible leakage or mingling of market sensitive information in order to maintain and enhance their position in the market. WPP's perspective is that there should be other ways of ensuring that the client's interests are appropriately protected which do not restrict the operating company's position in the market (see WPP Policy 5.09 on Confidential Information and the WPP Data Policies).

Further it is important to recognise that not having non-compete restrictions allows the operating company to develop industry expertise that is of value to our clients.

The Policy

1. Operating companies should avoid restrictions on their ability to work for competitors of the client if possible. Confidentiality provisions and Chinese walls should suffice.
2. If restrictions cannot be avoided, operating companies should only agree to not work for a client's competitors if the client's business is profitable, the operating company is receiving some benefit in return, and the volume of work makes it reasonable to accept a restriction from other potential opportunities.
3. Restrictions should be tightly defined and clearly documented. See guidance section on what to consider when negotiating this requirement.
4. Competitor restrictions should never be accepted in the case of Data Investment Management services.
5. Global and regional restrictions must not bind other members of a network without approval by the WPP Global Commercial Operations Team.
6. Where competitor restrictions are in place you must ensure appropriate separation of teams and 'cooling off' periods for key staff.
7. Restrictive employment obligations on our employees are prohibited.

Please also refer to WPP Policy 5.9 on Confidential Information

Guidance

| Consideration | Guidance |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Term | The preference is for the non-compete provisions to apply during the Term and only when we are actively providing services. Avoid post termination restrictions. If necessary restrictions can apply for up to 6 months post termination except where the client terminates without clause. |
| Territory | Be specific about the location to which the non-compete applies and restrict to those markets where you are appointed. It may even be preferable to define at a city level where you have multiple offices in a single country. The tighter the definition, the less restrictive |

| | |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>it will be. A preferable scenario is to limit the exclusivity requirement to those people working on the clients business, rather than the whole office. Consider applying the non-compete to the client's active markets and not those markets that are inactive for long periods of time.</p> |
| Supplier | <p>Be careful to avoid applicability to other operating companies not within your own operating company and/or other WPP operating company groups. Some countries (e.g. in Asia) use the same legal entity for multiple operating companies and some operating companies have second brands, so use operational/operating company brand definition of 'Supplier' e.g. MEC, Geometry Global, Hill & Knowlton. Avoid the unintentional application of non-competes to subcontractors, especially those group operating companies that you work with.</p> |
| Services | <p>Limit restrictions to the services you are appointed for in the agreement to avoid the application to other services offered by the operating company. Understand the difference between 'services' (i.e. any service) versus the capitalized and defined 'Services'.</p> |
| Competitor | <p>List the names of specific competitors and specific brands. The list should be as short as possible (3-10 names) and only list competitors who have a material part of their business that conflicts with a material part of the client's business, not every category of the client's business regardless of size. Avoid using generic industry sector names (e.g. finance sector), as they are open to interpretation and broad in nature. Any reference to the client's products or services should be those at the date of the agreement (to avoid uncertainty caused by new client services or acquisitions).</p> |
| Grand-fathered clients | <p>Ensure you are permitted to work for existing clients and try to avoid listing their markets to allow expansion to new markets without requiring consent.</p> |
| Reasonable consent | <p>Ensure any requirement to obtain the client's consent to work for a competitor is subject to the client acting reasonably, for example by use of the words 'not to be unreasonably withheld or delayed', and clarify the circumstances under which permission will be granted. When requesting a client's permission ensure you have a compelling argument (see below for guidance).</p> |
| Designated Personnel | <p>As stated under 'Territory' above, propose limiting the exclusivity requirements to those designated personnel working on the clients business. Avoid the application of firewall protocols to support services (e.g. Finance, IT and HR) and client staff who are non-dedicated (e.g. senior management).</p> |
| Audit and Penalties | <p>Avoid the inclusion of detailed provisions relating to client-conflict audits. Avoid penalties for breach of non-compliance provisions in the agreement as the clients remedy is termination and/or proven damages.</p> |

Requesting a client's permission

When you require a client's consent to pitch and/or work for a competitor it is very important that when you ask for that consent you present a compelling case to increase the chance of receiving permission:

- Recognise the clients concerns.
- Think which individual client you make the request to.
- Find out if there are any previous precedents where permission was granted.
- Understand the extent to which there is a competitive conflict with the client's product categories. This can usually be achieved by comparing publicly available data (e.g. Nielsen).
- State the 'best practice' firewall protocols that are in place to ensure client teams are separated and confidentiality is protected.

Appendix to 5.10 Conflicts and Competitor Restrictions

The below sample 'Statement on Client Conflicts' can be used to provide assurance to clients that procedures are in place to ensure that conflict work can be handled without issue by an operating company.

{HEALTH WARNING: DO NOT SHARE WITH CLIENTS IN THIS FORM – THIS DOCUMENT MUST BE TAILORED}

[OPERATING COMPANY] STATEMENT ON CLIENT CONFLICTS

The issue

Since there are many more [client category] companies than communications companies, it is inevitable that [operating company] will sometimes face having to manage potentially conflicting client business.

[Operating company] is very experienced in doing this, and has developed practices that have proven highly effective for clients in other categories.

The solution

[Operating company] will not work with potentially conflicting clients without first ensuring that [client name] has been consulted.

Conflicting business is defined as [key competitors who have a similar business offering to [client name]] [and/or any of the foregoing competitors which have involvement in the following activities: [describe competing activities]].

We will ensure that no member of [operating company] staff who works with [client name], whether Senior Management, Account Management, Creative, Strategic Planning, plus associated team members, has any contact with other competitive [client category] clients as defined above.

Senior [operating company] staff who have worked on [client name] and have had access to sensitive confidential information, will not transfer to work on a competing [client category] services account (as defined above) for a period of [6] months after their time has stopped being chargeable to [client name]. “Senior [operating company] staff” includes staff in [Account Management], [Planning] and [Creative] departments with direct client contact.

All [client name] teams will sign confidentiality agreements (which in the cases of any agreed key individuals shall continue to be effective beyond any period stipulated above), subject always to overriding restrictions or qualifications which may be imposed by local employment laws on relevant local staff.

We will put in place systems and an organization that will make sure that there is no flow of information at all between [client name] and competitive business. These systems will include, as appropriate and where feasible:

- physically separate teams (different buildings/floors wherever possible);
- all necessary IT security measures, including the provision of restricted file access on [operating company]’s server, password protection, etc.; and
- All documents, files, papers, artwork, etc. to be securely stored and locked when not in use.

5.11 Contract Execution and Signing Authorities

Overview

It is important for WPP operating companies to have legally binding contracts which accurately document the commercial arrangements that are in place with clients, suppliers, staff and third parties with whom the operating companies have business dealings.

To avoid these types of contractual disputes and to ensure that proper internal controls are in place operating companies should implement contract execution policies based on the points of principle set out in this section.

The Policy

Operating companies should implement a contract execution policy that sets out:

1. Categories of operating company staff authorised to negotiate certain types of contract relevant to the operating company's business e.g. client contracts, supplier contracts, staff contracts, specialist contracts (e.g. production, music and talent);
2. A list of authorised signatories (which may vary according to the type of contract);
3. Threshold values in excess of which contracts require signature by two or more authorised signatories;
4. Threshold values in excess of which contracts must be approved by the Operating Company CFO;
5. Requirements for executing documents with special execution requirements under law, such as deeds; and
6. The circumstances in which other approvals are required, including at WPP level, and responsibility for obtaining such approvals.

Guidance

Problems can arise where a contract is either signed by someone who is not properly authorized but is treated as such by the other contracting party, or a contract is concluded by email without full terms ever being negotiated. These contracts may still be legally binding if the other party can argue that the person who represented the operating company had ostensible authority i.e. he/she acted in such a way that it was reasonable to assume that he/she has the required authority to enter into a binding contract.

Best practice is to ensure that only statutory directors and officers of the company sign contracts, subject to certain exceptions as set out in this document. Be aware that having "director" or "officer" in a job title does not necessarily mean the individual has statutory authority.

You are responsible for ensuring compliance with your own contract execution policies and for taking steps to rectify arrangements which have been made in contravention of the policy. Operating company staff at all levels should be trained on the policy and the basics of contract law (i.e.

the fact that it is possible to conclude a binding contract through a very informal exchange of emails).

Client contracts

The Operating Company CFO should be involved in defining and agreeing contractual terms with clients and is responsible for ensuring that the following terms have been agreed in accordance with the WPP Legal Toolkit and Section 5 of the WPP Policy Book on Clients (seeking support from the legal department as necessary).

Where possible, you should use your own standard form client contract that has been tailored to the specific services that your company provides. It is often the case though that a client will want to use their own standard form. This is fine but care must be taken to ensure that the terms are not unduly onerous. Always seek the advice of the legal department in this situation

6 Procurement & contracting

Introduction

Procurement – the sourcing, negotiating, contracting, order placement and supplier management of goods and services provided by suppliers – is either led centrally by the WPP Commercial & Procurement Services (C&PS) team, and/or carried out locally by individual operating companies. Relationships and contracts with suppliers are a mix of global, regional or local.

The remit of the C&PS team is to make savings and add value to all of WPP's bought-out spend with suppliers, particularly when this can be done by leveraging the scale of the Group. Spend within C&PS scope includes:

- **Indirect Costs** (sales, general & admin. costs) – typically including Travel, IT, Telecoms, Facilities and Professional Services
- **Advertising Production Costs** (usually a pass-through cost for clients, and managed for WPP through The Bridge APB)
- **Kantar Direct Costs** (could either be direct costs, or a pass-through cost for Kantar's clients, and managed for WPP through the Kantar Procurement Team)

Full details of all C&PS activities and supplier contracts can be found at <https://inside.wpp.com/procurement>

Purpose of the Policy

This policy addresses five areas relating to procurement in WPP:

- Use of Preferred Suppliers (section 6.1)
- Payment Terms (section 6.2)
- Market Testing Preferred Suppliers (section 6.3)
- Purchase Orders, Supply Contracts, Spend Authority & Commitments (section 6.4)
- Guidelines for Supplier Selection (section 6.5)

Questions related to this policy should be addressed either directly to WPP's Chief Procurement Officer, Tom Kinnaird, tkinnaird@wpp.com, or to the appropriate regional, business or category head of procurement:

- Europe: Diego Callejon, dcallejon@wpp.com
- Latin America: Martin Vargas, mvargas@wpp.com
- Kantar: Liz Paterson, liz.paterson@kantar.com
- Travel: Bill Manning, bmanning@wpp.com

6.1 Use of Preferred Suppliers

C&PS leads the appointment of preferred suppliers where contracts will be entered into at the WPP level, either globally, regionally or locally.

In addition, each local WPP operating company is expected to create and maintain a list of preferred suppliers (which includes the WPP preferred suppliers) for commonly purchased goods and services and have a list of persons who are responsible for approving additions or deletions.

A “preferred supplier” is defined as one that has been appointed following evaluation against a variety of assessment criteria, including risk, operational, commercial and sustainability considerations. A documented record should be kept of such an assessment (see section 6.5).

Before committing to a purchase, all staff should:

1. Check whether a WPP preferred supplier(s) exists (check on inside.wpp.com, or contact the appropriate regional/business/category C&PS leader).
2. If “Yes”, then go directly to Step 4.
3. If “No”, then check the local operating company preferred supplier list, and if a preferred supplier(s) exists, it should be used. If there is no preferred supplier either at the WPP level or within the operating company, then such a purchase needs to be formally authorised by the operating company CFO, or a designated deputy, prior to the spend commitment being made.
4. Check whether the WPP contract is flagged as “Mandatory” or “Advisory”.

Mandatory – typically categories of high spend or importance, where a WPP-led sourcing team has established a strategy for the category, and implementation has taken place across the Group. It is often the case that several preferred suppliers will have been appointed within a single category of spend.

Advisory – typically spend categories of lower spend or importance, where either a supplier has offered a simple discount to Group companies, or only a small number of operating businesses have contributed to a limited sourcing strategy. In such cases, full group-wide implementation is either not necessary or not possible.

Note that definitions of which categories are Mandatory/Advisory may vary from country to country.

5. Where a WPP preferred supplier(s) exists for Mandatory Contracts, these should be used in all cases.
6. In the case of WPP Advisory Contracts, staff are free to place orders with an alternative supplier (however, refer to Step 3).

6.2 Payment Terms

WPP's standard payment terms for suppliers is 30 days from the end of the month in which the invoice was received.

6.3 Market Testing Preferred Suppliers

It is expected that all major supplier relationships (where spend is significant in local terms, and/or a multi-year relationships exists, whether or not this is covered by a contract) should be subject to competitive market tender at least every three years.

6.4 Purchase Orders, Supply Contracts, Spend Authority & Commitments

Each operating company must have a formal list of persons authorised to sign purchase orders (POs), contracts and/or make commitments on behalf of the operating company. Such list should include the financial signing authority limit applicable to each person. Financial limits should be agreed and approved by each operating company.

Raising purchase orders for incurred spend is not mandatory within WPP. However, it is recommended that each operating company determines financial limits above which a purchase order is required.

Where purchase orders are produced, such purchase orders should clearly state the requirements – including the agreed price, payment terms, delivery or completion dates and any other commercial terms as appropriate. Purchase orders should be linked to a standard set of terms and conditions of business, which are consistent with WPP best practice. Purchase orders must include a right to audit the supplier.

Where purchase orders are not deemed to be required, consistent with operating company policy, it is still necessary to communicate the requirements – the agreed price, payment terms, delivery or completion dates and any specific commercial terms, including the operating company standard terms and conditions of business – to the supplier, in a way which is transparent and auditable.

Where spend is above specified limits (these limits are to be determined by operating companies), or a planned contract is for a duration of greater than one year, two approved signatures on a purchase order or contract are required. It is not permissible to split spend contract commitments into parts to avoid the requirement for approval.

The operating company must not, under any circumstances, commit to expenditure on behalf of a client without one of the following being in place (see also the WPP Revenue Recognition Policy):

- A client contract;
- Other written confirmation from the client;

- The costs will not be capitalised (posted to the WPP balance sheet) until such client contract/confirmation is received.

In the event of an unnecessary and preventable loss being incurred as a result of a contract signed, or commitment entered into, without having followed these procedures, the person signing the contract, and any line manager, may be subject to disciplinary procedures.

All WPP preferred suppliers in Mandatory categories have contracts where terms and conditions are pre-negotiated by C&PS. For operating companies to sign up to Group contracts, it is normally a simple matter of completing an enrolment agreement. If in doubt, check with the appropriate C&PS leader.

6.5 Guidelines for Supplier Selection

Supplier selection, appointment and use as a “preferred supplier”, whether by C&PS or by an operating company, should involve assessment and documentation against a variety of criteria, including risk, operational, commercial and sustainability considerations.

This section 6.5 lists the minimum assessment and documentation requirements for supplier selection. Note that this applies to all categories of spend.

If the supplier is already a WPP preferred supplier, then operating companies may assume that WPP has conducted the necessary steps and no further action or documentation is required.

It is recognised that the extent and formality of supplier evaluation and retained documentation will vary considerably depending on the type and value of purchase.

As a guide, some form of documented supplier evaluation should be done for all but the most insignificant purchases, and specifically where:

- Goods or services are being purchased for future re-charge to a client;
- Disruption to supply of the goods or services would result in a potentially serious business issue for either an operating company or a client;
- Spend is considered to be significant, where “significant” is consistent with local operating company guidelines;
- The supplier is based outside of the country in which the local operating company is based;
- It is considered that the supplier carries a significant degree of business risk, including the possibility of adverse reputational impact for the operating company or client;
- It is considered that there is an increased risk of bribery or corruption;
- It is considered necessary to gain assurance that the potential supplier operates in line with WPP’s sustainability standards and legal requirements such as the UK Modern Slavery Act.

Where steps are required in accordance with the processes described below, evidence must be documented and retained.

Minimum assessment and documentation requirements are to:

- Conduct due diligence (section 6.5.1)

- Assess operational, commercial and sustainability criteria (section 6.5.2)
- Apply the WPP Anti-Bribery & Corruption Policy (section 6.5.3)
- Have suppliers read and sign the WPP Code of Business Conduct for Suppliers (section 6.5.4)
- If required, use a purchase order (PO) with a “right to audit” clause (section 6.5.5)

Minimum assessment and documentation requirements (table)

| | | | |
|-------|------------------------------------------------------------------------------------|----------|--------------------------------------------------------------------|
| 6.5.1 | Conduct due diligence | Basic | Mandatory for ALL new suppliers |
| | | Advanced | Mandatory for ALL new suppliers with annual spend over USD 100,000 |
| 6.5.2 | Assess operational, commercial and sustainability criteria | | Mandatory for ALL new suppliers |
| 6.5.3 | Apply the WPP Anti-Bribery and Corruption Policy | | Mandatory for ALL new suppliers |
| 6.5.4 | Have suppliers read and sign the WPP Code of Business Conduct for Suppliers | | Mandatory for ALL new suppliers |
| 6.5.5 | Use a purchase order with a right to audit clause | | Only if a purchase order is required |

6.5.1 Due Diligence

A “**basic**” level of due diligence must be undertaken for ALL new suppliers. For suppliers where there is no real choice, such as large national utilities, a basic level of due diligence is still required.

An “**advanced**” level of due diligence must be undertaken for new suppliers with a total annual spend of USD 100,000 and above. If this financial threshold is clearly disproportionately high for operating companies (typically with annual revenues of less than USD 10 million), then each operating company should define and document a more appropriate financial threshold. If the volume of business with a specific supplier was originally below the financial threshold, but subsequently increases above that threshold, then the supplier should be re-evaluated accordingly.

When undertaking a basic level of due diligence, you **MUST**:

- Obtain basic supplier contact details;
- Obtain basic registration numbers (e.g. company registration numbers, VAT/sales tax number)
- Obtain basic supplier creditworthiness details;
- Perform a basic internet search to ensure that the supplier does indeed exist, appears relevant to the service or supply and does not have any significant adverse comment that may cause supply or reputational damage, including suggestion of involvement in bribery and corruption, unethical behaviour or use of forced labour;
- Confirm that there is no related party relationship between the supplier and the operating company; if there is, it must be disclosed and the operating company person must not be involved in contractual or pricing matters.

When undertaking an advanced level due diligence, you **MUST**:

- Perform every step of the basic due diligence as described above;
- Perform enhanced searches to understand who owns the supplier;
- Perform enhanced creditworthiness/financial stability checks;
- Perform reference checks from other clients of the supplier;
- Depending on the nature of the supply/supplier, carry out third party checks using an external agency.

6.5.2 Operational, Commercial & Sustainability Criteria

Price is rarely the only factor in selecting suppliers. To ensure fitness for purpose and to minimise business risk, suppliers designated by either WPP or by its operating companies as “preferred” should be evaluated against an appropriate set of business requirements. Such evaluation should take place prior to any purchase order or commitment being placed.

Specific concerns relating to the criteria below should be directed in the first instance to the appropriate C&PS leader.

Business requirements may include some or all of the following criteria (**AQSCIS**):

Assurance of supply

- Supplier has available capacity to meet demand;
- Supplier's premises and equipment are in good condition and fit for purpose;
- Supplier can deliver the goods or services to the required WPP office locations;
- Supplier invests sufficient time and money in training its own staff;
- Supplier meets all current and future legislation and other applicable requirements to trade, including where appropriate diversity status and the possession of a business licence to trade (the supplier must trade within the service scope defined by the licence);
- An evaluation of the supplier's health and safety record has been conducted;
- An evaluation of the supplier's past financial performance, current solvency and likelihood of successfully continuing to trade for the duration of the foreseen supply contract has been conducted;
- Supplier is willing to work within WPP's or its operating companies' standard terms and conditions of purchase and/or specific commercial requirements which are required to comply with client/operating company contracts (e.g. copyright, intellectual ownership rights);
- Evidence of appropriate insurances held by supplier is available.

Quality

- Supplier can meet the minimum quality specification for the goods or services;
- Evidence of quality accreditation held by suppliers (e.g. ISO9001 or equivalent) is available.

Service

- Supplier is able to meet agreed or planned key performance indicators with regards to the supply of goods or services;
- An assessment of the supplier's ability to deal with problems when they occur has been conducted;
- Supplier is able to provide accurate billing and management information reports.

Cost

- Supplier meets current and future price and cost requirements;
- Supplier can achieve cost reduction targets (if appropriate);
- Operating company will not incur inappropriate financial risk through dealing with the supplier.

Innovation

- Supplier has a track record of continuous improvement for the customer's benefit;
- Supplier is willing to bring new ideas and to challenge existing ways of working.

Sustainability

- Supplier has a documented sustainability policy (or, if not, documented policies covering labour standards, health and safety practices, environmental management and other sustainability issues);
- Supplier has a senior executive (or executives) responsible for sustainability performance;
- Supplier has a sustainability manager (or equivalent) responsible for day-to-day management of sustainability initiatives;
- Supplier has identified the social and environmental issues most relevant to its operations (social issues include, for instance, employment, health and safety, and community engagement);
- Supplier publishes a sustainability report;
- Supplier has a process for implementing sustainability standards in its own supply chain;
- Supplier has a documented anti-bribery and corruption policy;
- Supplier has procedures to identify the risk of bribery and corruption, to implement and monitor its policies for all staff and processes to manage incidents;
- Supplier has documented policy prohibiting forced, bonded and indentured labour or any other form of modern slavery in its operations and supply chain. Supplier has a procedure to identify and manage risk associated with modern slavery in its operations and supply chain.

6.5.3 WPP Anti-Bribery and Corruption Policy

When selecting a supplier, you must apply the WPP ABC Policy. The Anti-Bribery and Corruption (ABC) Policy provides guidance on WPP's policies and procedures relevant to bribery and corruption. It is a mandatory read for all WPP and operating company senior management (see Appendix 1 to this section).

For more information on WPP's approach to bribery and corruption, visit: <https://inside.wpp.com/InsideWPP/Business/Departments/InternalAudit/Anti+bribery+ABC.htm>

6.5.4 WPP Code of Business Conduct for Suppliers

WPP expects all suppliers it works with to abide by the same principles as in its Code of Business Conduct. Suppliers should therefore read and sign the version amended to be specifically relevant to them (see Appendix 2 to this section). The WPP Code of Business Conduct for Suppliers can be sent with purchase orders or other order confirmations.

If a supplier refuses to sign the Code, but is instead able to confirm its adherence to its own Code of Business Conduct that comprises the same principles, this is an acceptable alternative.

If a supplier refuses to sign the Code and does not have its own equivalent principles, you should consider an alternative supplier.

If a supplier is a large national utility (selling for instance energy, water or telecommunications) and, as a result, you have no real choice in terms of supplier selection, it is unlikely that you will be able to have the Code signed. This is an acceptable exception, assuming there is not an ethical issue with the supplier that is already in the public domain. If there is an ethical issue, it must be noted and reported as an exception to the Policy.

6.5.5 Purchase Order and contracts: right to audit

Purchase orders (where required) and contracts should incorporate a “right to audit” clause. Below is an example right to audit clause.

*Supplier agrees that during the term and for a period of three years thereafter it will keep proper records and books of account relating to the services in accordance with generally accepted accountancy practices (**Records**), and will permit [WPP agency] and/or agency’s client to inspect the Records and any policies and procedures applicable to the services (including any policies and procedures relating to the handling, storage and security of any confidential information and/or personal data provided to Supplier by WPP agency in the course of the services) upon reasonable written notice at any time (**Audit**). This right to Audit shall include all subcontractors to which services have been subcontracted by Supplier (**Subcontractors**). Supplier shall ensure [WPP agency] and/or agency client has equivalent rights with all Subcontractors.*

In connection with any Audit, Supplier agrees that it will provide reasonable co-operation to [WPP agency] and/or agency’s client and agrees that where an Audit indicates any errors or overpayments or any other breach of this Agreement, Supplier shall promptly correct any errors and refund in full to [WPP agency] and/or agency’s client any overpayment and in such circumstances the costs of any Audit.

In addition, contracts with suppliers should include the following clause:

Suppliers shall: (i) comply with the Supplier Version of the WPP Code of Business Conduct, Data Code of Conduct, Sustainability Policy and Human Rights Policy Statement (all found at www.wpp.com), as amended from time to time and (ii) participate in and cooperate with any risk, ethics or sustainability audit and/or assessment conducted by WPP, including via a vendor such as Sedex or EcoVadis, if required.

Appendix 1 to section 6.5

WPP: Anti-Bribery & Corruption Policy

Refer to inside.wpp.com for ABC policies.

Appendix 2 to section 6.5

WPP: Code of Business Conduct – Supplier Version

Refer to inside.wpp.com for Code of Business Conduct for Suppliers.

7 Real estate

These real estate policies are an extract from the real estate section of the WPP intranet, [inside.wpp.com/real estate](https://inside.wpp.com/real-estate)

Before embarking on any real estate project, an operating company must consult with a member of the WPP Group Real Estate (GRE) team in New York (for the Americas), London (for EMEA) or Hong Kong (for Asia Pacific). Contact details are listed in *Real Estate @ WPP* on the WPP intranet.

A real estate project includes:

- A relocation
- Requirement for incremental space
- Notification of, and disposal of, excess space
- Lease renewal
- Exercise of a lease break or option
- Rent review and any lease renegotiation, including sharing of space with other Group companies.

It also applies to any project involving expenditure of capex for refurbishment or retro-fitting.

7.1 General policy statement

All real estate leases and other related contractual agreements, where the commitment is for a term greater than nine months and/or a total rental commitment exceeding US\$100,000, require prior approval from WPP. This includes the decision to renew, extend or break an existing lease. Any agreement to vary a lease which results in a substantial variation in the length of lease term or rental commitment must also be referred for approval.

Prior to making a lease commitment, operating companies must be able to demonstrate that all alternatives, including the existing lease and other WPP space in the locality, have been taken into account.

The Group Finance Director, Paul Richardson, or Deputy Group Finance Director Worldwide, Steve Winters, will approve all lease commitments. *Real Estate @ WPP* includes guidelines on WPP's approval processes for real estate and capex commitments. Prior to commencing a real estate project, a Project Initiation and Execution Template (PIET) needs to be completed by the stakeholders and GRE. The information contained in the PIET will be used by GRE to obtain formal WPP approval of the business case and capex.

In addition to the approval from WPP, any real estate project must also be approved by the network's CFO. It is the operating company's responsibility to obtain such approvals.

7.2 Advice & documentation

WPP has appointed preferred suppliers of real estate services across the regions. These suppliers must be used to negotiate or verify the terms of transactions to ensure that terms are in line with the local market. The operating company proposing to take a lease will be responsible for securing written advice on the terms of the transaction from the local advisor and forwarding it to WPP as part of the approval process. WPP will not accept the advice of a non-approved service provider.

A lawyer who resides in the country where the lease is acquired must approve all documentation relating to real estate transactions, regardless of the length of the lease or consideration. A lawyer must also be appointed to initiate service of Notices where leases are to be terminated or renewed, and options to break or extend exercised. In most countries, WPP has a panel of approved lawyers from which an appointment should be made. Approval for the use of any other local lawyer must first be obtained from WPP's legal Counsel.

GRE has outsourced its real estate data management to a third party supplier. Upon completion of a new lease, a lease abstract and a copy of the lease in English or the local language should be forwarded to both the third party supplier and GRE. All changes during the course of a lease should also be notified to the third party supplier. Periodically, the third party supplier will request verification of data in accordance with SOX compliance. Operating companies and their business units should supply information requested in a timely manner.

7.3 Timing

As part of the Project Initiation Process, a cost/benefit analysis of shortlisted buildings against the existing lease must be submitted along with the local real estate advisor's advice on the terms and conditions and draft Heads of Terms.

A recommendation must be given to WPP for approval "in principle" no later than six months prior to the date on which the lease is to be signed, extended or Notice served to break or extend. The final terms must be presented for approval at least one month before any signatures are necessary.

7.4 Related party transactions

Related party lease transactions are strongly discouraged as they create conflicts, which frequently obstruct reaching optimal real estate solutions.

If such a transaction is to be undertaken, WPP will insist on due diligence being undertaken on behalf of the operating company by lawyers, GRE and the preferred real estate supplier, to ensure the terms are fully at arm's length, and that there are no commercial conflicts of interest. The related party must take separate real estate and legal advice. The principle of signing a lease with a related party will require the express approval of either WPP's Group CEO or Group Finance Director.

7.5 WPP guarantee & confidentiality

No guarantee, indemnity, letter of comfort, warranty or other representation may be given to any third party, whether a bank or otherwise, without the prior approval of the WPP Director of Treasury and the WPP Legal department.

WPP's covenant in any form should not be offered as guarantor in any capacity without the express approval of WPP.

Wherever possible, any offer, Heads of Terms, lease contract or terms of engagement between parties relating to a real estate transaction, should contain a confidentiality undertaking whereby the terms of any offer made by WPP will not be made public.

7.6 Health & Safety

Operating companies are responsible for ensuring that Health & Safety and other occupational aspects comply with local legislation at a minimum, in addition to any corporate policy directives as may be issued by WPP from time to time.

Health & Safety legislation differs from country to country. If in doubt, expert guidance for the rules that are applicable to your region should be obtained.

7.7 Sustainability: energy and the environment

The WPP Sustainability policy is relevant to all real estate transactions and projects as it affects staff environment, energy consumption, recycling, renewable resources and transport issues. It can be viewed at [inside.wpp/policy book/Sustainability](http://inside.wpp/policy%20book/Sustainability).

Targets

In 2009 the WPP Board approved a climate strategy to 2020. The target is to reduce per head CO₂ emissions to 1.8 tonnes by 2020.

It is the operating company's responsibility to consider sustainability and environmental issues and targets when undertaking a move or a project. Before starting a project, the regional Energy Action Team (EATs), which includes representatives of Group IT, Commercial & Procurement Services and Group Real Estate, should be involved.

Codes and standards

Where a new building is to be acquired, operating companies should ensure that they comply with the environmental building codes and standards endorsed by the local legislation. Where possible the building should meet advanced standards such as Leadership in Energy and Environmental Design (LEED) and BRE Environment Assessment Method (BREEAM) or equivalent. In the case of buildings exceeding 25,000sq ft (2,300 sq mt), which do not have a LEED or BREEAM assessment, an Environmental Scorecard should be submitted alongside the business case as part of WPP's approval process.

Energy conservation and efficiency

WPP companies will ensure the responsible use of energy throughout their offices, including conserving energy, improving energy efficiency, and preferring renewable over non-renewable energy sources when feasible. Energy metering and monitoring should be considered when undertaking a move or a project.

Materials and waste

WPP companies should operate facilities in a responsible manner, taking into consideration the efficient use of materials. GRE and Commercial & Procurement Services have set up procurement contracts with furniture, carpet and lighting suppliers/vendors to ensure that products purchased come from sustainable sources and can be disposed of in a responsible manner. These suppliers should be used wherever possible.

Materials used in construction and fit out should, where possible, be sourced from renewable or sustainable resources. Materials such as timber, insulation, carpet and access ceiling tiles are particular targets. GRE has negotiated a number of procurement deals for materials that not only ensure products come from renewable sources but on installation can also provide a carbon credit certificate.

Operating companies will minimise the amount of waste they generate and ensure that materials are reused or recycled where practical, or disposed of safely and responsibly.

Water conservation

WPP recognises the importance of water conservation, particularly in water-stressed areas. WPP companies will conserve water in their operations.

7.8 Capital Expenditure (Capex) Projects

A capex request form should be submitted to WPP for approval for any project where the total capex exceeds, or is likely to exceed US \$250,000 even if part of the total cost will be incurred outside the current financial year. GRE will be involved throughout the life of a project to provide advice and support to the operating company and to ensure that best practices in Project Management and implementation are achieved. The approvals process is still required where the expenditure is partly or fully funded by a landlord's capital contribution.

Real Estate @ WPP includes information on the capex process and a download of the capex Request Form.

Capex approved for a specific project in a specific year is not transferable and can only be spent on that project in that specific year. Any amount carried over must be applied for again in the following budget year. As long as the project details remain the same, approval will be granted automatically.

Real Estate capex includes the cost of:

- IT infrastructure and cabling, audio visual equipment and furniture, but other IT related items are excluded e.g. computers, computer hardware and telephone equipment.

- Project fees. Project related fees e.g. design and project management fees can be capitalised. Brokerage and legal fees can only be capitalised if they were incurred in the acquisition of new space. Fees for lease renewals and renegotiations cannot normally be capitalised.

All projects over US\$500,000 must have a Project Manager appointed. The cost of these appointments is to be borne by the operating company and should be included in the capex application. GRE must be contacted before making any appointments in this area.

Formal framework agreements for Project Management services are in place in most locations. These will specify the scope and cost of the services. If no such agreement is in place, GRE will advise on the basis of engagement. All agreements should be confirmed in writing.

GRE will normally undertake a Post Project Review to ensure that the targets set in the Project Execution Plan are met and that the project has been completed within Budget. The scope and detail of the review will depend on the complexity of the project and be agreed with GRE.

GRE and WPP Commercial & Procurement Services have, in some locations, put in place purchasing agreements with suppliers/vendors for furniture, fittings and equipment. These agreements should be utilised. Whether or not such agreements exist, competitive quotations must be obtained for construction works, furniture, fittings and equipment. GRE will advise on appropriate methods of procurement.

All contractors and suppliers must be pre-qualified and have attained certain quality, environmental and Health & Safety requirements. Under no circumstances should monies be paid before works are commenced and it is preferable to hold retention monies until the project is complete. GRE or your Project Manager can advise on the most appropriate course of action.

7.9 Co-location

WPP encourages co-location of business units for a number of reasons, including creation of business synergy and advantage, leveraging expertise and operational efficiency and improvement in real estate efficiency and cost base.

GRE will co-ordinate the development of the brief, agreement of targets and objectives and manage the search and development of the Project Execution Plan and Business Case.

A single capex request will be submitted by the lead occupier in the normal manner clearly identifying breakdown of capex by business units. The Business Case will identify specific costs of co-location and identify the financial and other benefits.

The lead tenant will normally contract with the landlord. The relationship between co-locating companies must be documented in writing using an inter-company sharing agreement. This will ensure full transparency, allocation and recovery of set up and operating costs and the building operating regime. In the event of a dispute and where changes are made in the future to space allocation, WPP will arbitrate between the parties and its opinion will be deemed final and binding on the parties.

7.10 Excess space: audit compliance

As part of reporting requirements, GRE is required to track excess space within the real estate portfolio. Operating units are obliged to inform their regional GRE team of excess space, and to respond in a timely manner to the annual questionnaire on headcount and other information to establish excess space to comply with WPP's obligations to record all liabilities in its balance sheet.

7.11 Group Real Estate Mandate

GRE is mandated to manage and support WPP's Global Real Estate processes. It is organised into three regional teams, each headed by a Director of Real Estate. The team in the Americas reports to the Group Finance Director. The teams in APAC and EMEA report to the Deputy Group Finance Director Worldwide.

The teams have the following mandate:

- Management of WPP's real estate policies, project initiation and approval processes.
- Management of the relationship between stakeholders in business units, WPP and suppliers/vendors.
- Management of capex approval and post project review process.
- Management of the real estate database, reporting and audit compliance for excess space reporting.
- Professional support and promotion of best practice across all areas of real estate activity within WPP, including workplace design, sustainability and co-location.
- Ensure all major projects are delivered on time within budget.
- Responsibility for continuous improvement in efficiency of occupation and cost across the Group's real estate portfolio and for procuring buildings and space which provide good quality support for WPP businesses.
- Providing support for Group M&A activity.
- Supporting the Group's commitments to corporate responsibility – environmental and climate change through more efficient use of real estate.

8 Accounting policies and procedures

8.1 Statement of principles of WPP financial reporting

Purpose

Summarise the policies and principles of financial reporting for all WPP companies.

8.2 Scope & applicability

This statement of principles of WPP financial reporting is applicable to all reporting units.

8.3 Responsibility

The general supervision and administration of this policy is the responsibility of the Local, Regional, and Worldwide CFOs/Finance Directors/Controllers. Any deviation or exception from this policy must be approved in advance by WPP Group Reporting (“Group Reporting”). Noncompliance with this policy may be deemed cause for disciplinary action and may have adverse Sarbanes Oxley consequences.

If local reporting requirements deviate from International Financial Reporting Standards (“IFRS”) or this policy, it is the responsibility of the unit to adjust the financial data to reflect the requirements of this policy before submission to the management reporting system, SAP BFC (formerly Cartesis). It is also the responsibility of the unit to maintain a reconciliation from their statutory accounts to BFC, identifying the nature of any differences resulting from local reporting requirements. These reconciliations must be reviewed by regional offices as specified in the Group’s Sarbanes Oxley policy.

8.4 Policy

All Group companies must comply with the basic principles of financial reporting contained in this policy.

8.5 Group accounting policies

WPP’s accounting policies are set out in the Annual Report and Accounts and are in accordance with IFRS (“International Financial Reporting Standards and International Accounting Standards”). All operating companies are expected to report to WPP in accordance with the Group’s accounting policies and, therefore, under IFRS.

WPP does not report under US GAAP. IFRS must be followed in reporting to WPP.

From time to time, the Group issues detailed Accounting Policies and Procedures to ensure clear guidance is available to operating companies and consistent reporting is achieved throughout the Group. These are available on the Group’s intranet website inside.wpp.com, within the Financial Reporting section of the Business Centre.

The Group periodically produces Internal Controls Bulletins, which are a further useful source of reference on internal controls and related policy.

Operating Groups are permitted to issue more specific accounting policies for their own operating units, although this is only allowed if such policies are consistent with the broader policies issued by WPP.

8.6 Accuracy of reporting

It is the responsibility of management to ensure that financial information reported to WPP is consistent with the Group's Accounting Policies and is accurate, through the implementation of adequate controls, the maintenance of appropriate and timely records and appropriate levels of staff supervision.

The budget and forecast financial information provides the basis on which WPP's strategic decisions are taken and is the basis for WPP's briefings to bankers, analysts and investors. It is essential that management's most realistic estimates, not excessively optimistic or pessimistic, be used in compiling this financial information.

8.7 Reporting timetables

Operating companies must have in place local accounting systems which enable timetables for the reporting of financial information to WPP (and the operating company's reporting HQ) to be met and which provide the information required. The WPP reporting calendar is issued annually and must be adhered to. Operating groups will issue their own internal timetables to their reporting units to ensure WPP's deadlines can be met.

8.8 Group Reporting system: SAP BFC

The Group's reporting system is SAP BFC (formerly known as 'Cartesis'). All subsidiary and associate/joint venture companies of the Group must report their results and balance sheet in BFC in accordance with the reporting timetable and the Group's accounting policies and principles. New BFC units may only be created with the approval of the WPP Group Financial Controller. There is a set approval process when applying for a new unit to be created, the template for which is available on the shared drive in BFC.

8.9 Legal v BFC reporting system structure

Every legal entity owned by the Group must report in BFC. The reporting structure is sufficiently flexible to accommodate a variety of reporting structures but, in broad terms, the Group requires any new legal entity to report in a new, separate, BFC reporting unit.

It is not acceptable to aggregate the results of a legal entity in one country with the results of a branch in another country, even though, from a statutory perspective, they will be consolidated in one set of statutory accounts.

8.10 Local statutory reporting requirements

Many operating companies in the Group are required by their local legislation to prepare audited statutory accounts, in accordance with their local GAAP. These accounts – and any associated tax computations – must be prepared and submitted to the relevant regulatory authority on a timely basis. They should not be qualified. If the auditors indicate that they will qualify your statutory accounts, you must communicate this to WPP Group Reporting beforehand.

The Group's year end is 31 December. The year end for local statutory accounts must therefore also be 31 December. This applies to all subsidiaries and also to associates.

8.11 Reconciliation from BFC to statutory accounts

All operating companies preparing statutory accounts must maintain a reconciliation between the numbers reported to WPP and their statutory accounts, for both the income statement and the balance sheet. This reconciliation forms a critical link to give assurance to WPP and the auditors that the Group's reported figures are derived from, and consistent with, operating companies' local ledgers and filed statutory accounts. In principle, other than GAAP differences, there should be no difference between what a unit reports to WPP and its statutory accounts.

8.12 Letters of support

If a reporting entity requires a Letter of Support to avoid qualification of its statutory accounts, the unit must follow the procedure of the Group's Letter of Support process, which is available to units with the Group's accounting policies, in the financial reporting section of the WPP intranet site.

8.13 The reporting cycle

Flash reporting

Reporting units are required to provide a 'flash' report in BFC of their results for the month, typically due to WPP four working days after a month end. Flash comprises a number of key P&L figures, including revenue, gross margin, operating profit and PBIT, together with figures for incentives, severance and external and intercompany interest. Flash is management P&L reporting only and must not include MPLB entries.

Reporting units operating under Public Relations & Public Affairs are required to submit a mid-month flash package, usually due within the third week of the relevant reporting month, giving a current estimate of their results for that month.

Actuals reporting

Nine working days after a month end, operating units are required to report their actual results for the month, including a full, line by line income statement (both management P&L and MPLB) and balance sheet, together with a range of supporting analysis including revenue by client, ageing of receivables by client, headcount and certain cash flow information. Validation controls in BFC help ensure internal consistency and accuracy of reporting.

As part of actuals reporting, units must supply a revised revenue forecast for the following three months and remainder of the year. This is a critical management tool and must be completed accurately and realistically.

Quarterly reforecasting

Twelve working days after a quarter end, reporting units are required to submit an updated, month by month reforecast of their results for the current year, including management P&L (and supporting data), headcount, MPLB and a capex forecast.

Budget

Operating units submit a budget in BFC to WPP in early November in respect of the following financial year. This will include a month by month P&L budget, including MPLB and supporting analysis, as well additional data, including capex and detailed real estate information. At the same time a current year pro forma will be required, based off the Q3 reforecast, reflecting the full year results of acquisitions made in the current year. In preparing budgets our operating groups should have regard to the Groups financial objectives:

- 10 - 15% operating profit growth;
- Improvement in operating margins of up to 1%;
- Improvement in staff costs/revenue of up to 0.6%;
- Revenue conversion of between 25% and one-third;
- Salary growth at no more than 100% of the growth in revenue.

WPP will set objectives for each operating group that addresses these overall targets.

Commentary

Within each reporting submission, commentary is required to explain major variances on key P&L headings. This is an important aspect of effective and efficient reporting for WPP. Commentary must comprise a sufficient summary for WPP and HQs to understand the key drivers of major variances.

Year end reporting

Reporting units are required to submit a year end reporting pack in BFC, together with the usual month end reporting for December. The year end pack is primarily geared to obtaining information for disclosure in the Group's Annual Report and Accounts and is usually due three working days after December actuals reporting.

CR (Corporate Responsibility) reporting

Reporting units are required to provide a separate CR reporting pack in BFC within 30 days of a quarter end. This quarterly submission requires a variety of data in relation to corporate and social responsibility issues, including energy usage, ethnic diversity, employment, compliance with marketing standards, and other matters. There is a separate CR reporting guide available under the Financial Reporting area of the WPP intranet site.

Client Profitability

A quarterly analysis of client profitability is also required within 30 days of each quarter end, unless WPP specifically exempts a unit from supplying this information.

Pro forma reporting

The Group primarily assesses the performance of our operating companies on the basis of like-for-like (or pro forma) results. Additionally, the key metrics on which the Group is assessed externally are based on like-for-like performance measures, both functionally and geographically, as well as for the Group as a whole. This means comparing current year, constant currency actual results (including the results of acquisitions from the relevant date of completion) against a prior year pro forma comparative. This comparative represents prior year actual results, translated at current year constant currency exchange rates, and adjusted to include the results of acquisitions for the commensurate period in the prior year. In this way, the objective is to achieve a genuine like-for-like view of the Group's performance year on year.

Pro forma submissions comprise the management P&L (including headcount and client data) and capex; not MPLB, nor the balance sheet.

Valid pro forma adjustments are relatively few in number, including adjusting for the prior year comparative of an acquisition, changes in unit structure (e.g. a reporting unit moving from one operating group to another) and changes in the master list of designated clients (e.g. one client being taken over by another). Note that pro forma must not be adjusted for a client loss nor for the closure of an office – both are treated as a normal business event.

No unit should make any pro forma adjustment without pre-approval from the WPP Group Financial Controller.

The Group announces a trading update each quarter that includes like-for-like revenue growth for that quarter and year-to-date. Once an announcement has been made, it is not possible to later restate that period's revenue growth. This means that both current year actuals and the pro forma figures for the corresponding prior year period must not change after the announcement date.

This is relatively easy to manage for the current year as each month's actuals are reported in a separate BFC package. The Group locks these packages once actuals reporting is complete. The pro forma reporting is, however, more difficult because the entire pro forma year is reported in one, single BFC package. If a pro forma package is opened, units have the capacity to adjust any month. WPP therefore insists that in this situation no unit changes any month that has already been used as the basis of a trading update. For example, if a pro forma package is opened in May, we will not permit any changes to be made to January, February or March as the Group will already have reported for the first quarter.

8.14 Overhead

As part of the budgeting process, an operating group will set its overhead allocations for the coming year. There are a number of different types of overhead, including worldwide HQ, regional, country and client overhead. However the overall approach is the same; once the overhead allocation is determined, based on the constant currency exchange rates for the coming year, it remains fixed throughout the year (and in all actuals and reforecast submissions). This is irrespective of whether the actual underlying costs differ from what was budgeted. Overhead allocations are pre-incentives and pre-severance costs. The double entry for recording overhead is outlined in the Group's MPLB accounting policy and must be followed.

8.15 Income statement – management vs external reporting

It is a fundamental principle of WPP's reporting that there is only 'one version of the numbers' i.e. the chart of accounts is flexible enough to accommodate both management and external/statutory reporting.

One way in which this is achieved is by using MPLB accounts to include income/costs that are not relevant for the assessment of bonussable performance, but are necessary for local statutory reporting. The Group has issued an accounting policy on the use of MPLB accounts and this must always be followed. No new MPLB transactions may be entered into without the approval of WPP Group Reporting.

8.16 Use of retained earnings accounts

Like MPLB, the use of the adjustment accounts within retained earnings requires WPP pre-approval.

In the event an item comes to light (e.g. as a result of a statutory audit) that should have been recorded in the income statement of a prior period, this should be booked as a catch-up in the appropriate line in the income statement of the current reporting period. Such items should not be shown in retained earnings unless pre-approved by WPP. In addition, it must be booked to the correct line in the current period and not be shown as an MPLB nor below management operating profit unless pre-approved by WPP.

8.17 Intercompany

The Group has a long-standing policy in relation to intercompany transactions which is available on the Group's intranet site. This policy covers a range of topics including initial recording of transaction, settlement, reconciliation and resolution of disputes. This policy must be followed.

8.18 Acquisitions

On completion of an acquisition, including step ups in ownership, a variety of information will be requested by WPP Group Reporting e.g. fair value adjustments and an opening balance sheet. This must be compiled in accordance with the Group's accounting policy on M&A and provided to Group Reporting on a timely basis.

8.19 Fair value reserves

On completion of an acquisition, the Group will conduct a 'fair value' review of the entity being acquired. Any reserves arising from such a review are booked at WPP top level, not locally. These reserves cannot be utilised by operating units unless expressly authorised by the WPP Group Financial Controller. If no 'relief' is available, such items must go through the appropriate income statement line in the management P&L.

8.20 Goodwill

Goodwill arising on acquisitions is held at a consolidated Group level and is assessed for impairment on an annual basis by WPP New York Group Reporting. Requests for assistance in assessing future recoverability of goodwill must be responded to in a timely manner, using realistic assumptions.

If a local impairment of an investment in a subsidiary or goodwill is required for statutory accounting purposes, this will usually be an MPLB entry in the local books. A standard template for assessing recoverability of a local investment is available from Group Reporting in London or New York.

8.21 Defined benefit pension schemes

Accounting for defined benefit pension schemes is managed on a global basis by WPP New York Group Reporting who work closely with Mercer, the Group's pensions advisers. The Group Reporting team will instruct operating units what entries to record and when, especially with regard to actuarial valuations of plan assets and liabilities. It is important that these instructions are followed to ensure the income statement and balance sheet of our companies are correctly reported. The Group has issued an accounting policy for pension plan accounting.

8.22 Obtaining accounting advice from local advisors

For advice on technical or judgemental accounting issues, an operating unit must seek guidance from WPP Group Reporting in either London or New York. Although it may be appropriate to consult local advisers/auditors, the resulting advice may not necessarily comply with Group policy because it may be given in isolation, without proper regard to Group-wide precedent or policy. Operating units must not use local advice from an external adviser to try to justify an accounting treatment that WPP will not allow.

8.23 Local re-organisations

From time to time re-organisations of legal or reporting structures may occur. If this happens, the resulting accounting entries must be approved by WPP Group Reporting before the relevant transactions are completed. Where a statutory entity is merged with, acquires or disposes of another Group company, pre-approval must be obtained from the legal, tax, treasury and Group reporting teams at WPP. Changes to the SAP BFC structure, including merging existing reporting units, must be pre-approved by the WPP Group Financial Controller.

8.24 Dormant companies

If a reporting unit ceases to trade or becomes dormant, it must continue to be reported in the Group's reporting system (BFC) if it has a balance sheet. The absence of an income statement does not mean its reporting obligations diminish in any way.

8.25 Rollforward and MPLB analysis

WPP has a large and complex organisational and legal structure. The consolidation of the Group's income statement and balance sheet is therefore a significant undertaking, performed by the WPP Group Reporting team in London and New York. Its prompt completion is dependent on analysis from each operating group HQ of movements in the current year in 'controllable' accounts (i.e. those accounts we expect to eliminate in the consolidation of the Group's figures); for example, investments, goodwill, retained earnings and other reserve/capital accounts, as well as MPLB.

It is therefore critical that reporting units provide their HQ and WPP with sufficient detail in their rollforward/MPLB analysis to allow WPP to perform their work accurately and effectively. A timetable is distributed at each quarter close for this analysis and this must be complied with. Additionally, monthly rollforward analysis is typically due one or two days after monthly actuals are submitted.

8.26 Balance sheet analysis

At each quarter-end WPP Group Reporting perform an analytical review of other balance sheet captions i.e. 'non-controllable' accounts. The quality and timeliness of explanations from our companies are critical to this process, which is also a key audit tool.

9 Acquisitions, disposals and affiliations

9.1 Proposal to WPP

WPP actively encourages the management of Operating Companies to consider acquisition opportunities on an ongoing basis. WPP's role is to ensure the effective allocation of capital; to approve any potential transactions; and to advise on the most effective manner of completing the projects successfully. Consequently, no commitments or offers may be made without prior approval from WPP.

Proposals relating to acquisitions should be made to WPP's Director of Corporate Development in London, except in the case of transactions in the Americas where proposals can be sent to the Senior VP, Corporate Development in New York. The proposal should be in writing and should, as a minimum, contain the following details:

- strategic rationale for the transaction
- target background, three year financial history and budget for next year
- background information on management
- analysis of revenues by client
- financial structure of the transaction
- proposed timetable

For further advice on the contents of this proposal, please contact the WPP Director of Corporate Development in London.

No employee of the Group is authorised to discuss the disposal of an Operating Company without prior written approval from WPP.

9.2 Acquisition process

The typical steps in the acquisitions process are as follows:

- negotiation of key terms and "in principle" approval by WPP of the acquisition proposal;
- heads of terms/letter of intent reflecting the agreed terms should be signed by both parties (the terms should be reviewed by the Corporate Development team and WPP Legal in London or Davis & Gilbert in New York prior to signing);
- as stated in 9.3 below, legal advisers must be appointed by WPP Legal.
- it is advisable that an exclusivity letter be obtained from the vendors such that they are prevented from discussing or completing a similar transaction with another party. A draft of such a letter is available from the Group's legal representatives;
- due diligence (financial, tax, human resources) must be commissioned. A decision not to undertake due diligence must be authorised in writing by the WPP Director of Corporate Development in London. Pro-forma templates relating to financial information typically required from a target and the required structure of a financial due diligence report are available from the WPP Transaction Services team. WPP Legal will consider the need for and scope of any legal due diligence; due diligence should incorporate consideration of any potential human rights, ethical or environmental risks, in line with our Sustainability Policy and Human Rights Policy Statement.

- financial due diligence will be performed by the WPP Transaction Services team who should also review the scope and findings of the other areas of due diligence performed.
- legal advisers will be instructed by the WPP in-house legal adviser to prepare acquisition documentation and shareholders' agreements (see below);
- it is essential that WPP's specialists in the areas of tax, real estate and information technology are consulted during the due diligence process;
- where completion payments are involved, it is important that adequate notice is given to WPP Treasury to arrange the transfer of funds;
- prior to the completion of a transaction, a draft press release should be prepared in conjunction with the WPP Communications Director;
- all contractual agreements relating to an acquisition should be reviewed by WPP's Corporate Development, Legal and Transaction Services teams prior to signature; and
- Before completion, the finance director of the Operating Company making the acquisition should ensure that a plan is put in place to integrate the acquired company within WPP's financial reporting, tax and treasury structures. This plan should be agreed by the WPP Transaction Services Director and the WPP Transaction Services team will follow up with the Operating Company to check the status of execution of the integration plan.
- In many cases where Operating Companies receive information in connection with a potential transaction it is often requested that the recipient of this information sign a confidentiality undertaking in respect of this information. In all cases, a WPP in-house legal adviser should review this letter prior to signature. In situations where an Operating Company is similarly providing confidential information to a third party an undertaking from the recipient should be sought. A draft of such a letter is available from the Group's legal representatives.
- Any correspondence with third parties relating to a proposed transaction should be marked as 'subject to contract' and should refer to the fact that any proposal is subject to agreement of final documentation, satisfactory due diligence, WPP board approval, foreign exchange regulatory authority approval (if applicable) and the approval of any other regulatory authority that may be applicable.

9.3 Advisers/support

Legal advisers will be appointed by WPP Legal in London – legal advisers should not be instructed directly by operating companies

Requests for assistance in performing financial due diligence should be directed to the WPP Director of Corporate Development or the Transactions Services Team. Under no circumstances should external financial advisers be retained without prior approval from WPP.

In certain situations the Group will contemplate the payment of introduction fees to investment banks, corporate finance brokers, etc. These fees must be agreed in writing with WPP's Corporate Development Director in advance and will be payable no earlier than on completion of the transaction.

9.4 Independence

As stated in section 3.3 of the Policy Book, Group staff should not acquire or trade in the equity or debt of an acquisition target. Any involvement in a target should be disclosed to WPP, whether it is personal or by a related party.

9.5 Anti-bribery and corruption

Through enquiry and due diligence, you must be certain that the target has not engaged in bribery or corruption. If there are any concerns, they must be raised to WPP Group Legal in London.

10 Legal

10.1 Litigation

WPP has in-house legal advisers located in London, New York and Singapore, who should be the first contact in relation to legal matters. A list of approved legal advisers is available on the WPP intranet site (inside.wpp.com/legal) and these lawyers should be used in connection with all corporate, employment, litigation and property matters and in relation to global client agreements, save with the prior approval of WPP legal department. Operating Companies should not recruit in house legal staff without prior approval of the WPP legal department. No litigation, arbitration or any similar proceedings may be commenced by any Operating Company prior to discussions with WPP, except where the expected liability of such action including any legal costs is less than US\$150,000. If it is decided that a lawsuit or similar proceeding should be commenced, counsel to represent the group company shall be determined after discussion with WPP's in-house legal department. If a lawsuit, arbitration, investigation by a competition authority, government action or similar proceeding is brought against any Operating Company or if any officer becomes aware of facts or circumstances that may give rise to such actions, the WPP legal department must be informed immediately of the following:

- name of the person, company or government body commencing the action;
- name of the person responsible for handling the claim;
- claims alleged against the Operating Company or facts and circumstances that are likely to give rise to such a claim; and
- estimated amount of such claim.

No action or position shall be taken prior to discussions with WPP. Counsel to represent the Operating Company shall be determined after discussions with WPP.

All documentation must be marked "Confidential: Attorney-Client Privileged Communication" and should be sent to the appropriate legal representative of WPP.

10.2 Legal structure

The legal structure of the WPP Group is complex - decisions regarding the structure to be adopted in a given country or its modification must be made in agreement with and under the supervision of WPP's tax and legal departments. **No new entities, companies, partnerships, joint ventures, affiliation or licence structures or branches can be created without the prior written consent of the WPP tax and legal departments and after a detailed business plan has been submitted to and approved by the WPP Group Finance Director.** No joint venture or shareholder agreements or affiliate agreements can be negotiated or entered into without the prior review and approval of the WPP legal department. Details of any changes in structure must be notified to the WPP legal department at least one month prior to the intended date of change and no change should be implemented until consent from the WPP legal and tax departments has been obtained.

Changes include:

- changes of name or ownership;
- formation of new units (whether joint venture, branch, partnership or company);
- liquidations of companies/cessation of other business forms;
- any affiliation, partnership, revenue sharing or alliance agreements or similar;
- changes to legal structures; and
- proposed acquisitions or disposals of business units of either a discrete part or the whole (whether by way of shares or business assets).

10.3 Trademarks and trade names

No application to register or licence the use of a trademark may be made except through the WPP legal department in London, which maintains a trademark database. The WPP legal department has the responsibility of liaising with the WPP Tax Department to ensure that the ownership of all trademarks is properly structured.

Bristows law firm in London, and their worldwide associates and Davis & Gilbert in New York (for US registrations only but not renewals which are handled by Bristows) are the Group's preferred trademark advisers.

10.4 Proxies / Powers of attorney

All requests for proxies from the WPP holding companies should be sent to the WPP legal department at least 2 weeks prior to the date on which they are required, with supporting documentation and full details of the reasons for requesting the proxy.

All proxies need to state the list of actions / resolutions to which they relate and should attach any documents referred to in the proxy. The period of appointment under the proxy should be no longer than 3 months. General proxies permitting the proxy holder to take "such action as the proxy sees fit" will not be approved under any circumstances.

10.5 Dating documents

In no circumstances should agreements, powers of attorney, resolutions or other legal documentation be backdated. Any requests for proxies or powers of attorney to support meetings that have already taken place will be refused.

10.6 Guarantees

No commitments should be made to provide any form of holding company guarantee (including WPP plc) without the prior written consent of the WPP legal department.

11 Antitrust policy

It is WPP's policy to comply with the antitrust laws of all jurisdictions in which the Group carries on business, and all WPP people are required to obey those laws in carrying out their duties.

Antitrust laws affect almost every area of WPP's business and severe consequences – including civil and criminal penalties – may result from antitrust violations, both for WPP and the individuals involved. Questions about whether conduct is permissible under antitrust laws must always be referred to WPP's Legal Department.

WPP does not expect you to become experts in antitrust law. However, each WPP person is expected to be familiar with the most important antitrust restrictions relevant to their duties and to undertake on-line competition training on the WPP intranet. Below is a brief summary of some of the restrictions in the EU and the US (equivalent restrictions will apply in many other jurisdictions and you should make yourself aware of them.) You should always consider applicable restrictions according to the jurisdiction applicable to your clients.

11.1 EU

Article 81 of the EC Treaty renders illegal any **agreement** or **concerted practice** that significantly **restricts** competition and that affects **trade between EU countries**.

The aim of Article 81 is to ensure that each company doing business in Europe **independently** decides how, when and where to carry out its business on any given market. Companies must independently decide which prices to charge or whether to provide services in one or more countries. Agreements that interfere with the competitive structure of a given market by restricting two or more companies' commercial options violate Article 81.

An agreement or concerted practice can exist where there is some form of **mutual understanding** or **consensus** that leads to coordination of commercial activities. The agreement does not have to be in writing. Understandings may be unspoken and often do not require verbal communication. It does not matter if one party was forced or coerced into going along with the other's demands. If the facts indicate that it was highly unlikely the parties were acting independently, a competition authority might conclude that an unlawful agreement exists.

If an agreement violates Article 81(1), it, or at least any restrictive clause in the agreement, may be **legally void** and **unenforceable**. This can have serious consequences in a commercial relationship if, for example, an important contract with a client that forms the basis of our core business is void and unenforceable.

Article 81 applies both between companies that are on the same level of the supply chain (for example, between different advertising agencies - the relationship is considered horizontal) and companies at different levels of the supply chain (for example, between an advertising agency and a supplier such as a media company - the relationship is considered vertical).

11.2 US

Sections 1 and 3 of the Sherman Act prohibit agreements that unreasonably restrain trade. The most familiar example is an agreement between competitors that fixes the prices the parties charge for goods and services and, as above, the “agreement” need not be a formal written document.

Section 3 of the Clayton Act declares unlawful various types of agreements which have the effect of preventing a purchaser of a product from using or dealing in the product of a competitor. Section 5 of the Federal Trade Commission Act, a catch-all Act, forbids unfair methods of competition and unfair and deceptive acts or practices

11.3 Examples of forbidden activities (global)

The following practices should be regarded as forbidden, either because they clearly violate antitrust laws or because they pose a substantial risk of a violation:

- Agreements with one or more competitors that establish prices at which services will be provided or goods sold and agreements that establish other terms of sale, such as credit agreements or discounts.
- Bid rigging, or collusive tendering as it is sometimes known, whereby competing companies agree amongst themselves to co-ordinate their response to invitations to pitch for a particular contract, for example from a government agency or a large company asking competing agencies to pitch. The cooperating agencies agree which agency shall win a given tender and arrange for the others to, for example, bid above or not in line with the conditions of the tender. Next time there is a tender, another agency will win and so on.
- Agreements with competitors that determine which of the parties will serve particular geographic areas, product markets, or clients.
- Attempts, undertaken alone or in concert with other parties, to drive a competitor out of business, to exclude a competitor from a geographic area or product market, or to prevent new competition.

Example

A minister for education in a European country decides to run an advertising campaign to foster tolerance between different ethnic groups and to accept bids from several advertising agencies for an exclusive contract to run the campaign for a given district's schools for a period of three years. The minimum media spend is significant. The senior management of several competing agencies get together and decide that the agency, Global Ideas, will submit the winning bid at a commission of 12%, and that they will each take turns submitting winning bids for other school districts in the future. In accordance with their agreement, Universal Creativity withdraws its bid at the last possible moment, The Advertising

Agency submits a bid that is too high, and Worldwide Solutions submits a bid with terms that the school district could never accept. Global Ideas wins the contract. Without the agencies' bid-rigging agreement, there would have been competition for the contract, and the minister for education may have achieved a lower commission. The agencies have entered into an illegal or 'bid-rigging' agreement.

11.4 Intragroup exemption: significance of client confidentiality

Although antitrust provisions do not generally apply to agreements between different subsidiary agencies **within the same group, i.e. WPP** - even if they compete against each other on a day-to-day basis - this does not mean that group companies can necessarily exchange client information of any sort (including but not limited to information regarding prices, for example) or co-ordinate bids, etc. Such exchanges may violate existing confidentiality obligations or a client's pitch procedures. Client confidentiality is of paramount importance, and must be respected at all times. To the extent you have any questions about what type of coordination is permissible with respect to client pitches and/or existing client relationships, you should contact WPP's Legal Department and/or Rick Brook, WPP's VP, Global Client Coordination.

11.5 Trade association activities

WPP companies should remain mindful of antitrust concerns during their participation in groups/committees of various trade associations, such as the AAAAs in the US. For example, in 1956, the AAAAs became subject to a federal court's consent order, which remains in effect, forbidding fixing of agency commissions in the media buying area. That order also covers the activities of agencies which are AAAAs members, but only to the extent that they are acting on committees or groups of the AAAAs.

Moreover, trade associations from time to time collect data from the industry. You should be mindful of such surveys of information. They are least likely to be anti-competitive if participation is voluntary and if they are undertaken by a neutral third party, such as an accounting firm, so that the participants' data remains truly confidential. Additionally, wide dissemination of the results of the data collected, without accompanied recommended courses of action, is less likely to have antitrust implications. When in doubt, please contact WPP's Legal Department for further advice.

12 Anti-bribery and Foreign Corrupt Practices policy

It is WPP's policy to comply with the local anti-bribery laws and regulations (and any other laws with an international reach, such as the Foreign Corrupt Practices Act of 1977 or the FCPA and the UK Bribery Act 2010) of all jurisdictions in which the Group carries on business, and all WPP people are required to obey those laws in carrying out their duties. Facilitation payments may not be made by or on behalf of any WPP Group companies.

The FCPA makes it a criminal offence to pay, offer, or give anything of value to a foreign official/employee of a foreign government with the intent to improperly influence business decisions of those officials. The Act prohibits such payments made directly by a company, its officials, directors or employees, as well as payments made through a third party agent such as a consultant or business partner of a company, where the company knows or has reason to know, such payments will be made. In addition to its anti-bribery provisions, the FCPA also contains certain accounting provisions, requiring companies to maintain accurate books and records and proper systems of internal controls regarding all transactions.

The UK Bribery Act also makes it a criminal offence to give, offer, promise or receive **any** bribe, not just in relation to government officials. It also includes a strict liability corporate offence of failing to prevent bribes. Like the FCPA, it reaches and applies to all our operations and people.

Violations of the FCPA and UK Bribery Act carry severe consequences - civil and criminal - both for the company and the individual employee involved. This policy does not address every situation or deal with the specific laws or regulations that may govern each and every jurisdiction in which WPP does business. You should therefore contact WPP's Legal Department or WPP's Chief Compliance Officer to seek guidance about specific situations and jurisdictions. You should also make sure you complete the WPP on-line training modules on the WPP intranet on an annual basis to ensure you have a good understanding of the impact on our businesses of the FCPA and UK Bribery Act.

12.1 Applicability to all companies

Because WPP's ADRs are traded on a US exchange, WPP and its subsidiaries (regardless of where they are located) must comply with the FCPA. WPP's business operations in the UK give rise to potential liability under the UK Bribery Act to all of its subsidiaries. It also applies to other parties carrying out a service on our behalf (such as associates). No WPP company, employee or agent may give, or promise to give, money or anything of value to an executive, official, or employee of any (a) government or its agency, (b) political party (including candidates for political office), (c) customer, (d) other organisation (in some cases charitable organisations), or (e) any other company or person if it could reasonably be construed as being intended to influence the company's business relationship with them. This may also include meals, gifts, gratuities, entertainment and other business courtesies.

Moreover, WPP companies should be mindful of the FCPA and Bribery Act in all dealings with third parties or business partners, as well as in the context of doing due diligence for a new acquisition or joint venture. Specific areas of focus should be the percentage of the third party's business derived from government contracts, types and identities of agents and consultants it uses and their compensation arrangements, countries of operation, involvement of government officials in its business (either as owners or directors/employees) and the state of its internal controls and books and records. WPP companies should obtain written assurances from such third parties that they have not and will not violate the FCPA or Bribery Act during their dealings with the WPP company.

WPP companies must use the adviser payment policy in all relationships with advisers as defined therein.

13 Treasury

13.1 Borrowings and borrowing and other banking facilities

New/existing borrowing facilities

All companies in countries where a WPP cash “pooling” system operates must not borrow from third party banks.

For companies that are not part of a cash “pooling” system, any new borrowing facilities (or increase in existing facilities) over US\$1million must be discussed with the WPP Treasury department prior to any approval or commitment by the Operating Company.

Any intention to reduce the amount of existing facilities or indication of forthcoming cancellation by providers of currently available facilities exceeding US\$500,000 must be immediately notified to the WPP Treasury department.

Pledging of security and other restrictions

Under no circumstances must any security (whether in the form of pledges over receivables, other assets or shares) be given in support of any new or existing facilities without the prior approval of the WPP Treasury department.

No guarantees (including bank guarantees), indemnities, letters of comfort, warranties or other representations or covenants may be given to any third party whether a bank a client or otherwise without the prior approval of the WPP Treasury department.

Drawings under facilities

All borrowings should be in local currency, unless otherwise agreed with the WPP Treasury department in advance.

Borrowings under any facility should not be for a period greater than three months, without the prior agreement of the WPP Treasury department.

Default

Any incidence of non-payment of either principal or interest on a due date or intention not to make payment on a due date or any other event which could give rise to a default must be notified immediately to the WPP Director of Treasury.

13.2 Deposits

Safeguarding 100% of principal, in addition to achieving sensible commercial rates of interest must be the key objectives when depositing surplus monies.

All short-term (ie less than three months) surplus monies should be held in interest earning accounts where appropriate.

All long-term surplus monies should be dividended or loaned to WPP after consultation with the WPP Treasury and tax departments.

All companies in countries where a WPP cash “pooling” system operates must place all surplus funds in the system. All deposits must be made with government issued securities or a WPP approved bank. Deposits should

not be made with non-WPP approved banks without the prior agreement of the WPP Treasury department.

No deposits should be made that exceed three months without the prior approval of the WPP Treasury department.

All deposits must be in local currency, unless previously agreed with regional management or the WPP Treasury department. If funds are received in foreign currency, this must be converted to local currency immediately unless there is an offsetting payable in the same currency.

Conversion of any monies into other currencies for speculative reasons must not be undertaken in any circumstances.

No Operating Company's monies should be placed under management by "third parties" in a trust fund or other investment product. This does not prohibit employees' monies under group company management being placed with third party managers.

Monies can only be placed with a bank as collateral for any bonds, guarantees, and letters of credit etc, with the prior agreement of the WPP Treasury department.

13.3 Daily Cash Report

With the exception of companies in the UK, USA and Canada, every operating company is required to submit through SAP BFC on a weekly basis a daily cash report showing all its cash and borrowings to WPP Treasury at the close of business each day.

Instructions for the completion and transmission of this report can be obtained from WPP Treasury in London or from inside.wpp.com/treasury.

13.4 Foreign exchange

Third party transactions

Companies should not take on a foreign currency exposure in respect of business with a third party. An "exposure" generally occurs when a formal commitment arises to bill for services or make certain payments in a currency other than the company's local currency. If you are in doubt as to whether a transaction might give rise to an exchange exposure, advice should be sought from the WPP Treasury department.

In certain circumstances foreign exchange exposures may be unavoidable - in which case:

- the aggregate amount involved for all foreign exchange exposures outstanding at any one time should not exceed the equivalent of US\$100,000. Exposures of more than US\$25,000 to a single currency should be covered. This should be by forward purchase or sale of the relevant currency into your local currency. These foreign currency contracts should not exceed 12 months in duration; or
- specific prior approval has been obtained from the WPP Treasury department.

Intercompany transactions

Foreign currency exposures resulting from intercompany trading should be dealt with in the same way as third party transactions noted above.

Foreign currency exposures resulting from other types of intercompany activities (service fees, loans and interest, dividends etc) should not be hedged unless approved by the WPP Treasury department.

13.5 Financial Market/Derivative transactions

No interest rate hedging and no speculative foreign currency transactions of any form may be entered under any circumstances.

No Operating Company shall buy, sell or transact any of the following without prior approval from the WPP Treasury department:

- interest rate swaps;
- forward interest rate agreements;
- options contracts (interest or currency); or
- any other complex interest or currency hedging instruments.

If in any doubt Operating Companies must contact the WPP Treasury department for further guidance.

13.6 Banking Arrangements

Operating companies should consult with their regional Treasurer or Group Treasury in WPP London prior to entering into any new banking arrangements or agreements with a bank of any nature. Similarly, WPP Treasury should be advised prior to the termination of any banking relationship.

14 Taxation

14.1 Use of tax advisers

The preferred suppliers of tax advice to the Group is EY depending upon the country concerned although for historic reasons other advisors may be used in particular countries. If you are unsure of our tax advisers in your country please contact the WPP tax department.

If an Operating Company utilises another tax adviser, it must provide an instruction to that adviser to co-operate with and provide all requested information to the EY office to facilitate international and territorial (as opposed to company only) tax planning.

All new appointments of tax advisers must be cleared in advance with the WPP tax department.

14.2 Notification of tax audit

The commencement of all tax audits or claims for unpaid withholding taxes, whether relating to corporate income taxes, personal income taxes or other taxes (eg payroll or sales) should be notified immediately to the WPP tax department.

No tax audit or other claim of over US\$100,000 may be settled or agreed without the agreement of the WPP tax department.

14.3 Dividends

All dividends without exception must be approved in advance by WPP Tax.

As a general rule, subject to local law, all post tax profits, after allowance has been made for approved budgeted capital expenditure plans for the following year, should be made available to the Operating Company's shareholders within four weeks of the Annual General Meeting being held or by no later than 30 June of the following year, whichever is the earlier. However, there are notable exceptions to this and prior approval must be sought from the WPP tax department.

The exact manner and amount of this distribution must be discussed with the WPP tax and treasury departments prior to any agreed remittance being made.

For investments where WPP does not have a direct or indirect controlling interest, the objective is to obtain a dividend of our share of 100% of the distributable profits no later than six months after the Operating Company's year end. Interim dividends should be sought wherever possible. However, as for subsidiary companies, there are notable exceptions and prior approval must be obtained from WPP Tax before any dividends are declared.

14.4 Legal Structure/Corporate Transactions

As set out in Section 10.2 Legal Structure, prior agreement must be obtained from the WPP tax department for any changes to the corporate structure. For the avoidance of doubt, changes include all the items set out in 10.2, plus any merger, hive off, or divisionalisation.

14.5 Cross-border loans

Group companies in one country should not enter into documented loan agreements with group companies in another country without WPP Tax and WPP Treasury approval.

14.6 Cross-border transfer of shares

Group companies should not transfer shares to other group companies resident in a different country without WPP Tax and WPP Legal approval.

14.7 All other cross-border transactions

Related party transactions fall under the remit of transfer pricing legislation which varies by jurisdiction. In accordance with local legislation (which may include domestic transfer pricing regulations) or globally agreed Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations by the OECD, transactions should be conducted in accordance to the arm's length principle with appropriate documentation in place to support the charge. Where necessary, adoption of a risk-based approach may be advisable.

14.8 External disposals

Disposals of any asset or business to an external third party cannot take place without prior approval from WPP Tax as there are likely to be tax consequences of the disposal. Please contact your relevant WPP Tax contact to request approval.

14.9 Use of freelancers

Operating companies should perform an annual review of all individuals who are being treated as freelancers, consultants or self-employed individuals to ensure that they are bona-fide independent contractors and are not performing the same role as that of an employee. Payments should not be made without the deduction of the appropriate payroll taxes to any individuals who should be treated as employees.

The analysis as to whether an individual is a self-employed independent contractor or an employee of the company is complicated and subjective. The presence of a service contract is usually an important indicator of an individual's status. However, it is not the only one. The overall substance of the terms of the engagement will also be taken into account. In this respect, independent contractors must not be treated and given the same benefits as an employee of the company.

In particular, it is advised that Operating Companies are **able to demonstrate** the following in respect of independent contractors (amongst others).

- They must have the freedom to organize their work in whatever way they find suitable.
- They should not have company business cards, but must have their own business cards. Where relevant, they should represent their own management company (if any) and the cards should mention nothing more than a cell phone number, their title within the management company and the management company's address.

- They should provide their own equipment and should not be given company mobile phones, blackberry, laptop or other equipment that an employee might be provided with.
- Freelancers should not receive holiday or sick pay.
- All freelancers under the terms of their service contract must be permitted to work for other companies.

If an independent contractor works exclusively for a WPP entity, the tax office concerned is likely to review this in detail and where practical the following are helpful in defending the independent status of a freelancer.

The freelancer:

- should carry a visitor's badge when entering the company's buildings;
- should not have a privileged or reserved parking spot;
- should not have a fixed personal office at company premises;
- should not be on the company's internal phone directory, except where explicitly indicated as 'contractor';
- should not have a fixed computer, telephone line etc at the company premises; and
- should not have a company cell phone or blackberry.

WPP Tax can provide advice on whether certain individuals should be treated as an employee.

14.10 PAYE Settlement Agreements (PSA) – UK Only

Concluding a PSA for every tax year is the responsibility of each company or division that operates a payroll in the UK. The following items of expenditure should be covered by a PSA (where relevant):

- staff meals, food, drink and corporate hospitality consumed at or near the place of employment
- staff taxis home or to private events before the 9pm limit for the Inland Revenue statutory concession
- Christmas parties and other staff functions falling outside the Inland Revenue statutory concession
- staff gifts (apart from 25 year service awards)
- other benefits not reported on individual P11Ds.

The PSA for the preceding tax year must be agreed by 14 July with the Inland Revenue and a copy forwarded to WPP Internal Audit. Any tax liability due under the PSA must be settled by 14 October following the tax year in question.

A copy of the PSA and supporting calculations should be sent to WPP_PSAs@wpp.com.

14.11 Termination payments– UK Only

Where Payments in Lieu of Notice ('PILONs') of up to £30,000 are intended to be paid tax-free in the UK, the individual concerned must enter into a compromise agreement and an individual record of assessment must be completed.

Please contact WPP Tax in London if further information is required.

14.12 Statutory financial statements

All companies should file their statutory accounts in advance of any local deadlines, and in any case by no later than **31 July** in order to ensure timely submissions of accounts and other associated filings such as corporation tax returns.

14.13 Short term business visitors (STBVs)

All group companies should follow the STBV guidelines for their country to ensure business visits are tracked, and where required, reported to local tax authorities each year. Please refer to inside.wpp.com/InsideWPP/Business/Departments/Finance/Tax/Short-Term-Business-Visitors-Policies or contact WPP Tax for further information.

15 Communication

15.1 General

In considering “Communications” we are referring to all means and mechanisms of communicating information both within the Group and externally to existing and potential customers, regulators, share owners, government and non-governmental organisations, the media and to the public at large.

Each Operating Company and affiliate is responsible for establishing internal and external Communications policies and practices in order to foster consistent and favourable recognition of their own (and the Group’s) identity, structure and capabilities among its internal and external audiences.

15.2 Public relations

Each Operating Company is responsible for its own Communications with journalists. However, whenever there is to be an announcement of any decision made involving WPP, it should be cleared *before release* with the WPP Communications Director. This includes news of top-line appointments, acquisitions (buildings, offices and companies), strategic alliances, joint ventures, any information concerning the current or future financial performance of your company, or anything that may cause a reputational risk.

News of wins, losses, hirings, defections, lawsuits and acts of God can all have an effect on WPP and its market. Ask yourself “*what effect could this news have on WPP?*” Whenever in doubt, please alert the WPP Communications Director.

The WPP Communications team is responsible for the preparation, approval and dissemination of all WPP press releases. It develops public relations policies with senior management and actively promotes the strategy and business of WPP.

15.3 Advertising

All Operating Companies advertising their own services should ensure that all local legal and regulatory requirements are met. They should also consider:

- ethical standards and sensitivities to gender, race, religion, cultural, political or corporate identity issues; and
- social issues.

15.4 Corporate identity

Each Operating Company is responsible for the management of its own branding and corporate identity in order to ensure the maximum public recognition and awareness by consistent presentation worldwide.

It is optional whether any Operating Company refers to its membership of WPP. If any Operating Company chooses to refer to its association with WPP, the preferred wording is “a WPP company”. A full description of WPP is available from the WPP Communications Director in London.

15.5 Direct approaches from investors

In order to ensure that the Group is correctly understood and valued in the marketplace and that publicly available information is communicated consistently and clearly to the investing public, all Operating Companies and principal offices receiving direct approaches from investors in WPP must refer to the Director of Investor Relations, WPP's Group Finance Director or WPP's Deputy Group Finance Director for assistance.

Communications with investors include the Annual Report and Accounts and Interim Report, announcements of Quarterly Trading Updates, Interim and Preliminary Results and responses to shareholders' enquiries.

There are strict guidelines relating to the external communication of financial or business information on the Group and its Operating Companies. There are strict legal consequences for the individual if a breach of those procedures should lead to the disclosure of inside information.

15.6 Political contributions

Operating Companies or staff must not use Group funds or property to provide support to or to contribute to any political party or political candidate.

Group policy on political neutrality prohibits partisan support. Any such support would have to be approved in advance by the WPP main Board and by WPP's share owners, and disclosed in the WPP Annual Report and Accounts.

Section 16 sets out more detail ("Political donations").

WPP maintains a position of political neutrality in all countries and territories in which it operates. As a result, it does not sanction the use of Group funds for political contributions. Due to the nature of some of our businesses, instances may arise, however, where the definition of what constitutes political support is unclear and on these occasions, reference should be made to the Group Chief Executive for Board approval.

Failure to do this will render the directors personally liable for any contribution, including services or goods provided at less than market value.

Employees acting on their own or through independent employee organisations are free to use their own funds and property for political contributions and support.

15.7 Disclosure of confidential information

It will be a disciplinary offence for any employee to disclose confidential information relating to any Operating Company, or client, whether on the internet, or otherwise, unless required to do so in the proper execution of their duties.

You must also follow the rules and guidelines of the internal control bulletin “Public release of financial information by Group companies” and the accompanying release “Q&As on public release of information”. These prohibit the release of financial information including revenue, financial trends and headcount to the press or similar organisations. The principle is that this information must not enter the public domain. This policy does not, however, prohibit the filing of information required by applicable laws.

16 Political Donations

16.1 European Union

In order to comply with European legislation, WPP's policy is that no operating company in the European Union is permitted to make any political donation.

In this context, donations include cash, cash equivalents, loans, gifts, entertaining, free or below market value work etc, and anything else that constitutes a transfer of value.

Political donations are donations to the following groups:

- a UK registered political party or a party that intends to participate in an election(s) to a public office in the EU; and
- an organisation whose activities may be regarded as intending to affect public support for any political party (as above) or any independent candidate(s) at an election for public office.

16.2 Outside the European Union

Political donations are permitted under WPP policy for operating companies outside the European Union (subject to the next paragraph), but operating companies must always adhere to local laws or any other applicable laws that may prohibit or otherwise restrict such donations.

Prior to making any political donation, operating companies must obtain the prior written approval of a WPP plc director.

16.3 Disclosure and penalties

Where political donations are permitted and have been made, the amounts must be disclosed in WPP's annual report. WPP will use the requests for pre-approval as above as an initial basis for this disclosure.

If any operating company is in any doubt as to whether a donation is political or is permitted, you must contact WPP.

Penalties for illegal political donations or non-disclosure of permitted donations range from potential custodial sentences to the requirement for full reimbursement of donations by the company's directors. WPP will recover any monies reimbursed by the directors from those responsible for making the unapproved donations.

17 Intercompany

The full accounting policy is available at inside.wpp.com and must be referred to.

17.1 Intercompany account transactions & recording

All intercompany transactions should be consistently accounted for and reported in Group Balances as specified below. Intergroup dividends and MPLB transactions are covered by separate accounting policies which all units must comply with.

17.2 Transaction processing

Any transaction affecting intercompany must have an accompanying intercompany invoice or similar documentation. Adequate supporting documentation, including the BFC shortcode for both the “seller” & “buyer” and the relevant job or P.O. numbers where appropriate, should accompany all intercompany invoices. In exceptional circumstances where job or P.O. numbers may not be available, reference to an appropriate contact at the payable office will help to expedite acceptance and recognition of the invoice. Intercompany invoices should always be copied to an accounting contact in the payable office, in addition to the executive in charge of the project, as a means to facilitate timely accounting by the payable party.

The invoicing party should make every effort to ensure that invoices are raised in a timely manner to other Group companies, as with third party invoices. It is expected that invoices will be raised within 90 days of the relevant work being carried out, unless there are specific documented mitigating circumstances. Invoices for any given month should be sent by the 20th (calendar day, not working day) of the month to minimize the occurrence of timing differences. The MIBA account should be used to capture those intercompany transactions which have been accrued, but not invoiced, at month end.

For intercompany transactions with a value of less than US\$1,000 there should be no charge between the units. This should alleviate time consuming efforts on reconciling and confirming low value items. It is acceptable to batch related individually immaterial charges into one invoice and important to note that the policy is not intended to prohibit collection of any billable amounts from clients or parent company recharges.

17.3 Intercompany agreements

A written contract or similar written agreement is generally required for all intercompany transactions, especially intercompany loans, intercompany real estate leases and intercompany agreements involving service fees, management fees or cost sharing. For these purposes, the written contract should stipulate, at a minimum, the services being provided, an estimate of the costs or charges to be incurred, and the performance requirements. No intercompany agreements involving service fees, management fees or cross-border cost sharing may be entered into without the prior approval of WPP’s Treasury, Legal and Tax departments. A written contract is required for all intercompany agreements involving service fees, management fees or cross-border cost sharing.

Notwithstanding the preceding paragraph, a written contract is not required for a limited number of intercompany transactions such as cash management, payroll, benefits, facility services, international expatriate transfer costs, Group audit fee recharges and other similar arrangements. In these circumstances an intercompany invoice is sufficient. Subject to local requirements, this also includes one-off / non-recurring recharges and select centrally procured licenses or services where WPP entity merely acts as an invoicing agent and do not entail any additional rendering of service. WPP at a policy level recommends agreements to cover regularly occurring recharges where amounts exceed \$100,000.

The contract will provide the foundation of all subsequent intercompany charges. As work done across WPP Group companies increases, the issue of contemporaneous documentation of work arrangements is becoming increasingly important. The involvement of management with the authority to bind the company in these arrangements is critical. Intercompany charges not pursuant to a valid agreement may not be enforceable in arbitration and may be required to be written off by the unit with the receivable if not reconciled within 90 days. Primary responsibility for ensuring a contract is in place resides with the unit providing the service.

17.4 Accounting and Reporting

All intercompany transactions, except for intercompany dividends transactions, are to be recorded in the Group Balance account (including invoiced and loan related intercompany charges in the MIB and MIBL schedules, respectively, and accrued intercompany trading and accrued loan interest charges in the MIBA and MIBI schedules, respectively). They may not be recorded in any trade accounts, even if the charges or the amounts invoiced are being disputed, unless explicit approval or instruction has been given by Group Reporting. Intercompany trading balances should be included in schedule MIB within BFC account 29000 - Group Balances – Trading; while accrued intercompany trading transactions should be included in the MIBA schedule within BFC account 29010 – Intercompany recharges - accrued. Intercompany loans receivable/payable should be included in the MIBL schedule within BFC account 29002 - Group Balances – Loans; while, accrued intercompany interest receivable/payable should be included in the MIBI schedule within BFC account 29004 - Group Balances – Interest.

All parties should consider the appropriate time to record an item in intercompany. In the situation where an invoice has not yet been issued, but a specific amount has been agreed and the underlying services provided, it would normally be appropriate for each party to accrue the amounts in intercompany. This may be the case, for example, where services are provided on a continuous basis, but settlements are done annually, perhaps in a shared services environment or with respect to services provided by WPP or an HQ. Where specific amounts have not been agreed, however the underlying services provided, an accrual should be made to the MIBA account. Every effort must be made to confirm the reasonableness of the accrual with the counterparty at least quarterly.

Each unit must reconcile, confirm and agree all intercompany balances at each month end. Trading transactions must be confirmed and reconciled on a monthly basis, utilising the SAP Intercompany system introduced in 2010 (see later section). It is expected that each local office will send a written statement/confirmation, including detail at the specific invoice level, to every Group unit with which they have a balance. Disputed items should always be included in the intercompany balance by both parties but may be listed separately or otherwise documented as disputed.

We expect all undisputed intercompany invoices, including recharges, to be settled within 30 days of invoice date, except for identified long-term funding or loan relationships. While long-term funding arrangements and other balances which cannot be paid due to tax, treasury, or legal considerations are acceptable, each office must maintain the necessary documentation that supports the need for non-payment for an extended period of time.

Intercompany invoices are to be considered denominated in the functional currency of the seller, unless otherwise specified in writing. When the currency of the invoice is different than the unit's functional currency, the unit must retranslate the balance each month end and on the settlement date, and record movements in BFC account 19930-Intergroup exchange gains/(losses) in the management P&L. Please refer to the foreign exchange policy for further guidance.

We expect all disputed items to be resolved within 60 days of invoice date. Any disputed items not cleared in 60 days shall be forwarded to Group Reporting along with the actions taken to resolve the differences. In the event of a dispute, the decision of Group Reporting is final. Unreconciled balances reaching the 90-day point will be subject to mandatory write-off, if such action is determined to be appropriate by Group Reporting.

All intercompany invoices relating to authorized work arrangements must be recorded by the receiver upon receipt regardless of the receiver's ability to bill the client immediately due to any contractual agreements with the client. The receiver cannot delay recording the transaction until it can bill the client for the related service. All charges should be recorded immediately even if further detailed reconciliation and approval of charges is being pursued to facilitate the reconciliation and clearance process. Any requests for exceptions to this policy due to disputed items must be submitted in writing to Group Reporting with all relevant supporting documentation and correspondence. It is expected that the good faith best efforts of both parties will have been fully expended prior to submitting a dispute to Group Reporting.

17.5 Dispute Resolution and reserve policy

Details are contained in the detailed accounting policy guidance at inside.wpp.com.

17.6 Intercompany system: SAP Intercompany

In 2010 the Group implemented SAP Intercompany, a critical tool to help our companies record, reconcile and track intercompany trading transactions. Intercompany loans and interest are not reported on SAP Intercompany.

It is the responsibility of the Worldwide Controllers of our companies to ensure SAP Intercompany is being used by each reporting unit within that network on a timely basis and in a comprehensive manner.

An SAP Intercompany User Guide is available on the shared BFC drive <https://gr.wpp.com> under s:/templates/Intercompany.

17.7 Intercompany loans

No loans may be made to other Operating Companies or affiliates without the prior approval of the WPP's Treasury, Legal and Tax departments to ensure such loans are conducted at arm's length and meet other legal, treasury, and tax compliance requirements. A written contract or similar written agreement is required for all intercompany loans to reflect these requirements were duly considered.

17.8 Intercompany trading

WPP encourages Operating Companies to maximise the extent of commercial trading between each other. Where the purchase of goods and services is being considered and where an Operating Company is capable of providing such goods and services then a proposal from that Company should be obtained. This proposal should be evaluated alongside other proposals obtained in the marketplace and, if it represents the best value for money, then the order should be placed with the Operating Company.

The other proposals obtained in the marketplace should be retained as supporting documentation which support the commercial basis for the accepted proposal. Supporting documentation should be retained for a length of time in accordance with local requirements.

17.9 Intercompany real estate leases

All Intercompany real estate leases must be agreed in writing. Any disputes must be resolved in accordance with the procedure set out in 17.1.

17.10 Pledging of security and other restrictions

The provisions of paragraph 17.1 above must be complied with.

17.11 Drawings under facilities

All borrowings should be in local currency, unless otherwise agreed with the WPP treasury department in advance.

Borrowings under any facility should not be for a period greater than three months, without the prior agreement of the WPP treasury department.

17.12 All other intercompany arrangements involving service fees, management fees, or cost sharing, intellectual property rights, royalties, etc

No intercompany arrangements involving service fees, management fees, cross-border cost sharing, royalties, or transfer, sale, sub-license intellectual property including but not limited to brand, trademarks, proprietary software, etc. may be entered into without the involvement and prior approval of WPP's Tax, Legal, and Treasury departments. A written contract is required for all intercompany agreements involving service

fees, management fees or cross-border cost sharing and should reflect an arm's length arrangement.

18 Information technology

18.1 Policy exemption

Any exemptions from the policies below must be agreed in writing by the WPP Internal Audit Director or the WPP Chief Information Officer.

18.2 Communication

The policy is separated into two sections: one relevant to all staff (s18.3) and the other directed at the technology function (s18.4 onwards).

As the effectiveness of many of these policies depends on their understanding by all staff, companies should consider the use of all-staff briefing sessions and the new-starter induction process for staff at all levels (including local offices) in order to explain the nature and content of these policies and demonstrably to confirm Operating Company management support for their implementation.

18.3 IT policies applicable and relevant to all staff

18.3.1 Internet and e-mail abuse

All companies must have written policies that are distributed to all staff, at least once a year, to prevent the misuse or abuse of Internet, E-mail, Instant Messaging services and Social Media sites when using corporate computers, inside or outside the office.

In using e-mail and other electronic media, employees are reminded that such communications may have the same legal standing as any other written communications.

An example policy is available for download on the WPP Intranet site inside.wpp.com/IT. It should be tailored as required.

18.3.2 Use of personal equipment

In no case are employees allowed to use personal computers in the office to carry out their work. Freelancers may use personal equipment with proper authorisation and security checks in place.

From time to time employees and freelancers may bring personally-owned storage devices (USB sticks, Personal Hard Drives etc) into the office. Such devices must not be used as routine storage for company information and, in the event that company information has ever been stored on these personal devices then Operating Companies should make clear to those bringing them in that the Operating Company reserves the right to inspect that equipment at any time to ensure that any company-owned and/or client data has been removed.

18.3.3 E-mail forwarding

Automated processes to forward corporate emails to non-WPP email accounts or domains must not be used. Exceptions to this policy are to be agreed either by the WPP Group Chief Counsel or by the WPP Director of internal Audit

18.3.4 Use of public file-sharing systems

There are a variety of publicly available, and often free, facilities to transfer large files without using email and to store data “in the cloud”. These facilities must not be used for the transmission or storage of company and/or client data.

18.3.5 Recommendations on LinkedIn and similar

LinkedIn has a facility to allow subscribers to post “recommendations” for colleagues, ex-colleagues and other contacts. Where an individual makes this type of recommendation, making this posting can have a similar legal effect as that individual’s employer giving a written reference for all to see and rely on.

This exposes the employer to unnecessary risks and so should be avoided.

This policy only applies to individuals “recommending” a fellow employee or external contact related to their employment – not to purely personal contacts.

18.3.6 Social Media and Blogs

Section 24 of this policy book comprises detailed guidelines regarding social media (such as facebook, myspace etc) and blogs.

18.4 Data/computer security

Operating Companies must implement and monitor policies covering the following points:

18.4.1 General policy

- Servers and other networking equipment should be stored and operated in a physically secure environment.
- No computers may be connected to a WPP network unless owned by or leased to a WPP operating company. The only exception to this is for statutory (not client) auditors such as Deloitte.
- Where visitors (this does not apply to employees of other WPP Operating Companies) are provided with Internet access or other computer facilities, this should only be done via an approved (by GTS or by the Operating Group’s CIO) WiFi system or via a separate VLAN where the configuration of that VLAN has been approved by GTS.
- Operating Systems and firmware etc running on servers, personal computers and network infrastructure should be patched as recommended by the relevant software/hardware vendor to minimise risk of system loss or malfunction.

- PCs, laptops and servers should be protected by anti-virus software, and the associated programs and virus signature files must be updated as recommended by the supplier (Sophos is the Group standard for laptops and desktop computers including Apple MACs);

18.4.2 Passwords

- All access to company networks should be password protected
- Password change procedures should be implemented whereby all passwords should be changed at least every 60 days.
- Password-protected screensavers should be used on all company machines in the Finance function and on any machines containing sensitive client information, with a maximum “wait” time of 30 minutes.

18.4.3 Internet security

- Effective “firewall” protection must be implemented for all connections to the internet and any other third parties.
- Operating Groups should develop and enforce security standards for any servers connected to the Public Internet or to any third parties to ensure that they cannot be used as mail relays and that other common vulnerabilities are addressed.

18.4.4 Data security and backups

- Data backup procedures should be implemented, and tested by regular tests of restoration, for all servers storing financial, client and other business-critical data.
- Copies of backups should be taken off-site from time to time and stored by a professional data storage firm.
- All data and information created, stored, acquired or transmitted on company computing systems should be exclusively owned by the Operating Company (or client, in certain circumstances);

18.4.5 Portable computers

- A review of desktop and laptop “whole disk” encryption products is being carried out and when a product decision has been taken, and after a deployment schedule agreed with Operating Group CIOs, it will be mandatory for all laptop computers (PC and MAC).
- Operating Groups should develop and implement standards to ensure that any wireless-enabled desktops and laptops are configured with suitable software firewalls or other appropriate facilities to minimise the risk of unauthorised access to company networks or computers.

18.5 IT Procurement

18.5.1 Purchase of computer software

The Group has worldwide agreements with Microsoft, IBM, HP, Symantec, Sophos, VMWare, Adobe, Citrix, Quark and Oracle under their respective corporate contracts. All acquisitions of this software from these suppliers must be made under these programmes through HP’s Software Licensing business (see WPP Intranet).

A number of these contracts are at the WPP Corporate level so any local purchase of such software will result in duplicate cost being incurred by any Operating Company purchasing outside the global contract.

Any exceptions to this policy must be approved in writing by the WPP CIO or WPP's Group Software Manager. Please refer to the group intranet for details of suppliers that can be used for such purchases.

18.5.2 Purchase of computer hardware

Servers

All companies that are part of the IT Transformation Programme (ITTP) must submit any server hardware requirements to Coretech. Coretech will liaise with IBM to specify, procure, install and manage those servers.

For companies that are not part of the ITTP, the only approved manufacturers of "Wintel" servers are: HP, Dell and Lenovo. Purchase requests must be made directly through the manufacturer's local Account Manager who will apply the agreed WPP discounts.

For those countries not served directly by the manufacturers, purchases should be made through the Globalserve e-procurement portal except where an exemption has been agreed with the WPP Coretech Head of IT Procurement. Such exemption would be based on operational difficulties with using Globalserve in specific markets.

Details of these arrangements can be found, and will be updated from time to time, on the procurement section of the WPP Intranet at inside.wpp.com.

End User Computing

End User Computing (EUC) includes laptops and desktops.

The approved manufacturers of PCs and "Wintel" EUC equipment are: Dell and Lenovo. HP can be purchased where there is a historical need.

All companies, whether part of the IT Transformation Programme or not, must purchase Dell and Lenovo equipment through the manufacturer's WPP Corporate portal. HP should also be purchased through the manufacturer's WPP Corporate portal

For those countries not served directly by the manufacturers, purchases should be made through the Globalserve e-procurement portal except where an exemption has been agreed with the WPP Coretech Head of IT Procurement. Such exemption would be based on operational difficulties with using Globalserve in specific markets.

For Apple EUC equipment, purchasing should continue through local resellers such as GlobalServe and CDW/Kelway.

For all bulk purchases (Apple or Wintel) please contact the WPP Coretech Head of IT Procurement as additional discount may be available.

Details of these arrangements can be found, and will be updated from time to time, on the procurement section of the WPP Intranet at inside.wpp.com.

18.5.3 Leasing – general IT

Leasing (whether Operating or Finance) should not be used to acquire IT Hardware or software or to fund any technology projects without the written approval of the WPP CIO and the WPP Group Chief Accountant.

18.5.4 Leasing – printers and copiers

The group has a global contract with Xerox that can be used to acquire printers and copiers as part of a managed print service. This contract has been designed to meet WPP Finance's requirements re treatment as Operating Leases. Further information can be found on the WPP intranet at inside.wpp.com.

18.6 Business systems

No new business systems should be developed, purchased or implemented without approval from the WPP Chief Information Officer. For this purpose "business systems" includes accounting, production, timesheet, payroll and HR systems.

Media systems project should be approved by the GroupM Chief Information Officer.

18.7 Legality of computer software

Operating Companies must ensure that valid licenses are owned by the company for all computer software operated in company premises or on company computers. Operating Companies should implement a process of regular checks to ensure that this is the case.

The JamF inventory tool must be installed and maintained by all WPP companies to ensure that accurate deployment figures for all software packages is available on a monthly basis.

18.8 Internet sites

All World Wide Web home pages registered or developed involving the WPP name or for “WPP” corporate clients should be approved by the WPP Chief Information Officer.

When any internet domains are registered in connection with company business, then the internet site should be registered in the name of the company using company contact details, not in the name of an individual giving personal details or using personal email accounts.

18.9 Software developed for client use

The intellectual property rights in any software developed for client use by an Operating Company and provided as a service or product to a client should be protected. Appropriate legally binding terms and conditions must accompany all software provided to clients such that the Operating Company’s risks are mitigated.

The provision of any IT hardware, software or services to clients should be covered by a written agreement, which has been reviewed by lawyers and signed by both parties. Risks covered by such an agreement would include, but not be limited to:

- maintenance of internal intellectual property and other copyright issues;
- fitness for purpose (Operating Companies should avoid giving warranties); and
- support and maintenance procedures.

19 Insurance arrangements

Each Operating Company must purchase adequate insurance policies to cover their local risks, taking into account the worldwide policies negotiated centrally through the WPP Risk Manager. Where possible, Operating Companies should use Marsh as their insurance broker to put in place these policies.

Any local regulations requiring specific insurances must be complied with.

The following is a list of the global insurance policies that must be complied with.

- professional indemnity (also known as advertisers' errors and omissions) for all Operating Companies. A per claim retention applies in this programme based on the size of the Operating Company;
- directors' and officers' liability insurance for any director or officer of any direct or indirect (more than 50%) owned Operating Company;
- fidelity/crime insurance for all Operating Companies of WPP of which the first US\$1 million is borne by the company;
- umbrella liability insurance provides additional limits against certain exposures faced by WPP. This programme is in addition to existing automobile and general (public) liability programmes;
- fiduciary liability; and
- international terrorism.

If further information is required on the extent of insurance cover that these worldwide policies provide, this should be obtained from the WPP Risk Manager or from inside.wpp.com/riskmanagement.

WPP is under an obligation to report all losses and potential claims arising under any of these insurances. All losses and potential claims are to be reported as soon as they are known to the WPP Risk Manager. Additionally, UK companies are to inform Marsh, the local insurance brokers.

WPP and its professional insurance advisers will decide whether the loss can be pursued under the terms of the policies.

20 Internal controls and audit

20.1 Key internal controls

Operating Companies must maintain a system of controls sufficient to ensure all reporting requirements are met (WPP and local regulatory), to safeguard the group's assets and to ensure compliance with applicable local and international laws that affect all operating companies, including the UK Bribery Act and the FCPA. This system of controls must be sufficiently robust to ensure the recognition of all financial transactions in the books and records with proper authorisations and approvals. All assets should be identifiable, properly valued and have valid ownership rights. They must be appropriately assessed for recoverability. All liabilities must be recorded in the books and records with other obligations being properly disclosed. All nominal ledger reconciliations must be performed and reviewed each month.

Operating companies must adhere to the relevant guidance and policies and training issued by WPP, such as the advisor payment policy, the gifts and entertaining guidance and the detailed guidance in the "ABC Booklet". ("ABC" is short for Anti Bribery and Corruption.)

Operating Companies must additionally comply with the WPP "Controls Bulletins", which are issued in response to issues arising. They are all available on inside.wpp.com/controlbulletins.

20.2 Notification of fraud, wrongdoing or other significant liabilities

Operating Companies must notify the WPP Director of Internal Audit of any fraud or attempted fraud or other wrongdoing or other significant liability arising from a misdemeanour that has taken place immediately on discovery, regardless of whether this has resulted in a financial loss.

20.3 Internal audit

Internal audit must be given full access to all of the Operating Company's records, properties and personnel. All audit recommendations must be implemented within the agreed time frame.

20.4 External audit

In most territories the preferred supplier of external audit services is Deloitte. Operating Companies cannot change this arrangement without first notifying the WPP Director of Internal Audit. All relationship issues with the external auditors must be discussed with the WPP Director of Internal Audit.

20.5 Security

Each Operating Company must have in place its own security policy. This security policy must ensure at a minimum that:

- assets of the business, regardless of whether they are owned or leased or belong to third parties, are physically safeguarded;
- information relating to the business of an Operating Company or to its clients must be treated as confidential and be physically safeguarded;
- furthermore, client teams, work and information must be kept fully segregated wherever necessary to prevent a conflict of interest between assignments for clients in the same sector or who otherwise consider themselves to be competitors - a further more detailed policy document for use in potential conflict situations is available from the WPP Director of Internal Audit;
- an individual at each Operating Company is nominated to be responsible for all security matters; and
- procedures should be put in place for reporting security breaches.

Any known breaches in security or loss of data must be immediately reported to the WPP CTSO in IT Audit New York (Peter Johnston). All breaches must be investigated and actions must be promptly taken to address any weakness identified.

20.6 Controls documentation

All companies must document their processes and controls in place to provide assurance over the reliability of financial reporting. WPP or the SOX controller teams in networks will regularly assess the design and operation of the system of controls in place. This is a requirement of section 404 of the Sarbanes Oxley Act. Such a document is also best practice and aids training and proper performance. The document must include consideration of the following areas, which together represent the main components of the COSO framework (a report from the The Committee of Sponsoring Organisations of the Treadway Commission, which comprised 5 professional associations in the USA and sets out guidance over internal controls):

- Control environment - This is the tone set by and the attitude adopted by senior management. It incorporates integrity and ethics, management's control consciousness, their commitment to competence, the organisational structure and allocation of responsibilities and human resources policies.
- Risk assessment – Management must identify, analyse and manage the risks that impact on their business. This is an ongoing process, not just an annual snapshot.
- Information and communication – This is the system of capturing and exchanging information in order that management can make appropriate decisions.
- Control activities – These are the detailed measures to ensure that things happen as they should. Examples include segregation of duties, reconciliations etc.
- Monitoring – This involves reviewing controls to ensure that they are operating effectively and efficiently and whether or not they need to be updated.

For “Full scope” companies (as defined by the Director of internal audit), the best practice documentation requirements include flow charts and narrative of the relevant processes.

The minimum documentation requirements for all companies are the completion of the procedure field information on the SOX templates and a risk map. In all cases this information must be maintained so that it is up to date and truly reflects the controls and processes. The documentation must be sufficient to allow an independent person to “walk through” all transactions, identifying each step of a process, the control performed, the evidence retained, information used and the person performing the control.

For shared service centres, there must be a chart or other document setting out clearly the respective roles and control responsibilities of the shared service centre and the agencies served by it.

In addition, it is essential that Operating Companies maintain evidence of the operation of the controls – such as an organisation chart, evidence of review on reconciliations etc. The internal and external auditors will need to see this evidence when assessing the sufficiency of the documentation and the design and operation of the controls.

It is the responsibility of the operating company to update their controls and the documentation in the event of a significant change to procedures.

Depending on scope, internal audit (or its outsourced supplier) or network SOX teams will review the documentation and controls and issue Action Plans where improvements to the documentation or the controls are needed. It is mandatory for Operating Companies to put these Action Plans into practice.

Inaccurate sign off of the s404 controls documentation or other certification of controls may be considered a disciplinary offence. Wherever necessary, the CFO and CEO must consult with appropriate personnel to ensure that the document is completed accurately.

More information regarding Sarbanes Oxley is available on the Group intranet.

20.7 Self certification of controls

Certain companies or controls may be self-certified as directed by internal audit. The CFO and the CEO of the reporting operating company must sign such certification. Inaccurate completion may be considered a disciplinary matter.

20.8 Non-audit work

The Sarbanes Oxley Act prohibits WPP's external auditors, currently Deloitte, from performing certain categories of work. Therefore, you must not request the WPP auditors to, and they must not, act for any WPP Operating Company in respect of the following:

- Book keeping or other related services;
- Design and implementation of financial information systems;
- Appraisal or valuation services;
- Actuarial services;
- Internal audit outsourcing;
- Management functions or human resources;
- Broker or dealer services, or investment banking; and
- Legal services and expert services unrelated to the audit.

If you wish to use advisors to perform any of the above categories of work, you must first obtain approval from either the WPP Group Finance Director or WPP's Director of Internal Audit.

The Sarbanes Oxley Act also requires that all non-audit work and the associated fees are pre-approved by the WPP audit committee. Therefore, before appointing Deloitte for any work other than the Group year end audit work for which fees are determined by WPP, you must request authorisation via WPP's Director of Internal Audit.

21 Business continuity

All Operating Companies must have, or be part of a larger group's, business continuity plan. This will incorporate elements of other sections of this policy book and additional actions / plans developed to enable the business to continue in the event of "disasters", such as earthquakes, fires or other events that render the business premises and facilities unavailable and / or destroy IT systems or documents.

Matters likely to be included are set out below. The list is not exhaustive and should be adapted for local circumstances.

- Provision for operating an alternative IT infrastructure, including e-mail, production and accounting software etc;
- Off-site back-up storage and identification of copies of essential business documentation and accounting records;
- Use of fire and water-proof safes for on-site storage of critical business documentation, including client media, and accounting records;
- Provision for off-site working for employees;
- Communication plan: Who is responsible for communicating actions to employees? (Do they stay at home? Do they go to alternative premises?), list of staff, client and supplier contact numbers, who is responsible for liaising with clients and suppliers? What message does the Operating Company send out? etc; and
- Appropriate insurance cover should be in place. (See section 18 of this policy book.)

Some of these actions are very inexpensive to implement (for example the communication plan). Others may be solved with a cross-agreement with another group company (such as off-site back-ups) or an alternative IT infrastructure. Others may require greater expenditure and hence the cost: benefit of potential actions must be considered.

Once in place, the plan should be tested annually to ensure that it functions as intended and that staff remain familiar with the procedures and that it may be revised in the light of changing conditions.

Further guidance is contained on inside.wpp.com, including general guidelines, a risk map template and an extract of the business continuity plan adopted by WPP's parent company in London.

Additional guidance will be added from time to time as necessary, including, for example, in respect of enhancing your business continuity plans to take into account the threat of pandemics, such as avian flu.

The risk map should help you document the key risks specific to your business and hence to develop response plans to mitigate the risks. These may include client or personnel issues as well as loss of IT or building facilities, for whatever reason.

22 WPP's approach to sustainability

Managing social, ethical and environmental risks helps us achieve our business goals and enhances our reputation with clients, employees, regulators and investors. Serving the sustainability communications needs of our clients is a growing business opportunity for WPP companies and we aim to be a centre of excellence for environmental and social communication.

We focus our efforts on the issues that are most important to WPP. These are:

- The social and environmental impact of our work for clients.
- Risks to WPP's reputation from undertaking controversial client work
- Marketing ethics and compliance with marketing standards
- Protecting and promoting human rights in relation to our employees and suppliers, and the impact of our work for clients
- Privacy and data protection
- Employment, including diversity and equal opportunities, business ethics, employee development, remuneration, communication and health and safety.
- Social investment, including pro bono work, donations to charity and employee volunteering.
- Climate change, including the emissions from energy used in our offices and during business travel.
- Sustainability in our supply chain

22.1 How we manage sustainability

The Group finance director is the Board director responsible for Sustainability. He provides an annual assessment of sustainability risks and performance to the Audit Committee and chairs a Sustainability Committee made up of senior representatives from the agencies.

WPP divides responsibility for sustainability between two committees, which report to the WPP board. The audit committee is responsible for social, ethical and environmental issues. The compensation committee is responsible for employment issues including equal opportunities, diversity and harassment.

The Group Sustainability function determines Sustainability policy, monitors risks and opportunities and coordinates data collection. It helps raise awareness within our companies and provides advice and guidance on Sustainability issues.

22.2 WPP Sustainability policy

We believe our business can make a positive contribution to society and the environment by managing our activities with care and by working with responsible organisations that promote social and environmental causes.

Operating companies are required to comply with this Sustainability Policy and report performance to the parent company quarterly.

Social investment

WPP companies are encouraged to:

- Undertake pro bono work for not-for-profit organisations involved in tackling social and environmental issues.
- Make appropriate financial and other donations to social and environmental organisations.

Managing relationships

- In all our relationships we will be open, honest and transparent and will not pay or receive bribes or inducements of any kind.

Employee development

WPP companies:

- Will select and promote our people on the basis of qualifications and merit, without discrimination or concern for race, religion, national origin, colour, sex, sexual orientation, gender identity or expression, age or disability.
- Will support training and career development for our people.
- Will provide a safe and civilised workplace free from sexual harassment or offensive behaviour.

Marketing ethics

WPP companies:

- Will comply with applicable regulations and self-regulatory codes of practice in the countries in which they operate.
- Will not knowingly create work which contains statements, suggestions or images offensive to general public decency and will give appropriate consideration to the impact of our work on minority segments of the population, whether that minority be by race, religion, national origin, colour, sex, sexual orientation, gender identity or expression, age or disability.
- Will not undertake work designed to mislead in any respect, including social, environmental and human rights issues.

Environment

WPP companies will respect the environment by minimising their impact from:

- Energy use.
- Transport.
- Consumption of paper and other resources.
- Water use.
- Managing any significant Sustainability risks in our supply chains.

WPP sets quantitative targets for reducing our key environmental impacts. We aim to minimise the environmental impacts associated with the advertising and communications campaigns we create for clients. Our operating companies are encouraged to help achieve these goals.

Human rights

- In our business activities we aim to prevent, identify and address negative impacts on human rights and we look for opportunities to positively promote and support human rights, including children's rights. WPP companies must comply with our Human Rights Policy Statement which reflects international standards and principles.

- We support the right of our people and their families to basic human rights including the right to organise, the right to fair conditions of work, freedom of opinion and expression and freedom from forced labour and child labour.
- We expect our suppliers to adopt human rights standards consistent with our own.

22.3 Charitable donations

WPP, the parent company, and the Operating Companies are responsible for their own charitable policies, as projects or organisations to which donations are made will vary according to local circumstances and staff preferences.

22.4 Environmental strategy

Reducing our impact on the environment is a priority. We aim to make WPP a low-carbon Group. We are also focusing on reducing waste and managing water use in regions of water scarcity.

WPP recognises that the pursuit of economic growth and a healthy environment are inextricably linked. Sound business management must take into account the effects of its business on the environment. WPP supports practical measures and policies, which will help to protect and improve the environment. It endeavours to adopt good environmental practice in respect of premises, equipment and consumption of resources. In accordance with its status as a parent company, WPP upholds the principle of 'subsidiarity', and charges the Operating Companies with adhering to best practice/policy.

Climate change

WPP's climate change target is to reduce per head CO₂ emissions to 1.8 tonnes by 2020.

Our climate strategy focuses on three areas:

- Improving energy efficiency in our buildings and IT.
- Reducing non-essential flights.
- Purchasing renewable electricity where available.

We offset emissions from flights by investing in renewable energy projects.

Opcos should take ownership of energy management, for example by reviewing the individual carbon footprints distributed to operating company CEOs to monitor their progress.

There are Energy Action Teams in North America, Europe, Asia Pacific and Latin America. These include members of our IT, real estate and procurement functions. They identify energy-saving measures and provide technical guidance to our companies on energy reduction. See inside.wpp.com for more information.

Waste

Key commitments include:

Paper

- Use sustainable-sourced paper by 2020. This includes paper with recycled content and paper certified to recognised sustainability standards such as FSC and PEFC.
- Set printers to double sided as default.

Electronic waste (e.g. IT and mobile phones)

- Our policy is that obsolete IT equipment should be refurbished and sold for reuse, or if this is not possible, be broken down for recycling. Disposal is a last resort, and must be done in compliance with local environmental regulations and data security best practice (which also ensure that any corporate or confidential data is cleansed from the equipment).

Office consumables (e.g. paper, card, cans, plastic bottles, toner cartridges)

- To make it easier for our operating companies to recycle their waste we have identified preferred suppliers of recycling services for paper, standard office consumables and mobile phones in all major markets.

Water use

We aim to use water carefully and integrate water conservation into our property acquisition and refurbishment process particularly in water stressed regions.

23 Human rights policy statement

Respect for human rights and compliance with relevant law are fundamental principles for WPP and our companies. In our business activities we aim to prevent, identify and address negative impacts on human rights and we look for opportunities to positively promote and support human rights, including children's rights.

We are guided in our approach by international standards and principles including the International Bill of Human Rights, the UN's Guiding Principles on Business and Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the Children's Rights and Business Principles. We are members of the United Nations' Global Compact.

This policy statement explains how human rights are relevant to our business and the steps we take to protect human rights. It applies to all WPP subsidiaries and should be read in conjunction with the WPP Code of Business Conduct and Sustainability Policy.

What human rights issues mean to WPP

The main ways that human rights are relevant to WPP are:

Employees

We respect the human rights of all employees, including permanent, temporary and contract workers. We select and promote our people on the basis of their qualifications and merit, encouraging diversity. We expect all employees to be treated without discrimination or concern for factors such as race, religion, national origin, colour, sex, sexual orientation, gender identity or expression, age or disability. We seek to provide safe workplaces. We recognise the rights of our employees to freedom of association and collective bargaining. We will not tolerate harassment or any form of forced, compulsory or child labour.

Suppliers

We expect our suppliers to respect the human rights of their own employees and suppliers and to meet human rights standards that are consistent with WPP's. All major suppliers are asked to sign the Supplier Version of our Code of Business Conduct, which includes human rights requirements, and they are expected to apply these requirements to their own supply chain.

Client work

WPP companies will not undertake work designed to mislead on human rights issues. Where relevant, we will work with our clients on human rights issues and comply with client policies in relation to human rights and marketing.

Work for human rights organisations

Communications campaigns can be used to raise awareness of human rights issues and to encourage action to protect human rights. Our agencies provide creative services to organisations involved in protecting and promoting human rights, often on a pro bono basis (for little or no fee). WPP the parent company supports and encourages this involvement.

Our policy

To embed our commitment to protect and promote human rights, WPP and its companies will:

- Comply with all relevant laws and support international human rights standards.
- Reflect our commitment to human rights in our policies and procedures.
- Take steps to identify, prevent or address human rights impacts. This includes integrating human rights into our risk management processes.
- Provide training for our employees on human rights.
- Operate a grievance mechanism to enable employees and suppliers to report human rights concerns.
- Publish our Human Rights Policy Statement and report on our approach to human rights.
- Regularly review and update our approach to human rights.
- Take steps to support and promote human rights, including through our pro bono work.

Responsibilities

Our Group Finance Director has responsibility for overseeing our approach to human rights. Each WPP company is expected to comply with this policy and to implement the procedures needed to meet its requirements.

It is the role of the parent company to communicate this policy to all WPP businesses, to provide support and guidance for WPP business leaders and employees on human rights and to integrate human rights considerations into group-level policies and procedures where relevant.

Reporting a concern

WPP employees can report any human rights concerns via our Right to Speak facility. This is managed by a third-party and overseen by WPP Legal.

Suppliers and other stakeholders can report any human rights concerns in relation to WPP and its companies via an independently managed phone line. This is overseen by our Legal and Internal Audit functions. Details are provided on our website.

24 Document retention policy

The WPP policy book guidance on document retention is now subsumed into the comprehensive WPP Data Policies, launched in January 2013 and comprising guidance on data, privacy, information security and the use of social media. It also includes WPP's Data Code of Conduct.

Document retention is at section 14 of the IT and Security Policy.

The link to the dedicated Data page on WPP's intranet is as follows: [WPP Data Policies](#)

25 Data (privacy, security, social media)

The WPP policy book guidance on social networking sites and blogging is now subsumed into the comprehensive WPP Data Policies, launched in January 2013 and comprising guidance on data, privacy, information security as well as the use of social media. It also includes WPP's Data Code of Conduct.

The link to the dedicated Data page on WPP's intranet is as follows: [WPP Data Policies](#)

26 Gifts and hospitality

Gifts or hospitality (whether received or given) may breach our Code of Conduct or anti-bribery legislation if they are (or can be perceived to be) excessive or influence a person to act improperly (such as in awarding a contract as a result of gifts or hospitality).

Local management are required to regulate levels of hospitality in a manner proportionate to each business and person.

This guidance helps clarify what is and is not acceptable in respect of gifts and hospitality (whether directly corporate or on behalf of a corporate). Inevitably, some issues are clear cut, but some are less obvious. This guidance sets out factors to be considered, a new procedure for recording gifts and hospitality and a process for assessing the acceptability of gifts and hospitality.

The associated control bulletin on inside.wpp.com/bulletins gives more guidance on application of the policy.

The following considerations are relevant:

- Gifts and hospitality must only be of nominal value. This equates to different sums of monetary value in different opcos and countries and from one person to another. Offices should set a local currency limit on the acceptable value of gifts and hospitality. Specific approval will be needed above this limit. Below the limit, subject to adherence to the other criteria below, the gift or hospitality would be deemed acceptable. Further consideration on value should include whether the value of the gift or hospitality is below or above what the individual would do with his or her own money. It is difficult to give examples that 'work' the world over. However, a ticket to a local sporting event would normally be acceptable. More expensive or lavish gifts or hospitality would be subject to authorisation. Tickets for you and a partner overseas with accommodation to see a sporting event would not normally be acceptable for example.
- If a gift or hospitality package is given to substantially all participants in a market – for example, representatives of all principal media competitors to attend a media owner event - it is less likely that the gift or hospitality will influence staff. If the gift or hospitality is available just to our agencies, then the likelihood that influence is sought will be higher and specific authorisation will be needed.
- If gifts or hospitality are given or occur in the run up to a pitch decision, the timing may clearly be seen to be seeking influence and would not normally be permitted.
- This guidance is not intended to preclude normal working meals of a reasonable cost with a third party.
- Consider who is attending. If it is just you and a partner, you must give greater consideration as to whether it is appropriate than if it was you and a person from the client or supplier – ie a legitimate work related event rather than something partly for personal use.

- Is the gift or hospitality legal or contractually permitted? Some clients prohibit all gifts and hospitality: you must comply with those contracts or requirements. Some local and international laws prohibit certain gifts and hospitality. You must comply with these laws.
- Consider what others would think. Would your acceptance of a gift or hospitality be perceived by the average member of the public as unusual or excessive? Would you like to be named in the trade press as accepting (or giving) such a gift or hospitality? If not, it is clearly unacceptable.

26.1 New Processes

Authorisation

Each operating company should have a committee that can authorise gifts/hospitality as appropriate. They can set a de minimis threshold as above so as not to be inundated with requests for normal activity such as breakfast/lunch/dinner/coffee with a supplier or client or other low value amounts that will not influence the other party.

There will be gifts and hospitality that are clearly excessive (it is the opinion of the 'average man in the street' that is relevant). But there will be a band between clearly acceptable and clearly unacceptable that must be adjudicated.

Gift register

A register should be maintained of all gifts and hospitality, given or received, above the de minimis level.

The names of the givers and recipients plus their organisations must be stated, together with the date the gift is given/received or the date of the hospitality and the estimated value. A confirmation should also be given that the timing of the gift or hospitality does not coincide with a pitch or other key decision. Finally, confirmation should show that the third party is not a government agency or employee/representative thereof.

Audit and SOX will review the gift registers from time to time and will assess the reasonableness of the de minimis. The documentation must be kept up to date.

Appendix A: List of WPP contacts referenced in policies

| | |
|--------------------------------------------------|---------------------------------------|
| Group Chief Executive | Sir Martin Sorrell, London & New York |
| Group Finance Director | Paul Richardson, New York |
| Deputy Group Finance Director | Steve Winters, London |
| | Andrew Scott, London |
| Group Chief Counsel | Andrea Harris, London |
| General Counsel | Mark Povey, London |
| Chief Information Officer | Robin Dargue, London |
| Chief Talent Officer | Mark Linaugh, New York |
| Director of Commercial Services and Procurement | Tom Kinnaird, London |
| Head of Sustainability | Vanessa Edwards, London |
| Company Secretary | Marie Capes, London |
| Deputy General Counsel Litigation and Compliance | Vicky Brown, London |
| Director of Corporate Development | Andrew Scott, London |
| Director of Internal Audit | Paul Stanley, London |
| Director of Investor Relations | Fran Butera, New York |
| Director of Tax, EMEA and Asia Pacific | Ric Azoulay, London |
| Director of Transaction Services | Steve Hall, London |
| Director of Treasury | Charles van der Welle, London |
| Global Mobility Manager | Stephen McGarry, New York |
| Group Chief Accountant | Dan Conaghan, London |
| Group Financial Controller | David Barker, London & New York |
| Group Communications Director | Feona McEwan, London |
| Group Compensation and Benefits Director | Derek Steptoe, London |
| Real Estate Team | Max Holliday, London |
| | Bruce MacAffer, New York |
| Risk Manager | Ron Pearlroth, New York |
| Senior VP, Corporate Development | Lance Maerov, New York |
| Senior VP, Tax - Americas | Tom Neuman, New York |
| VP, Global Client Coordination | Rick Brook, New York |

All communication with WPP directors or staff can be made by telephone to: +353 1 669 0333 (Dublin); +44 20 7408 2204 (London); or +1 212 632 2200 (New York).