# WPP PLC

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| MEETING DATE | Wed, 08 Jun 2016 12:00 pm | TYPE | AGM | ISSUE DATE | Thu, 26 May 2016 |
| MEETING LOCATION | Pullman Hotel London St Pancras, 100-110 Euston Road, London NW1 2AJ | | | | |
| CURRENT INDICES | FTSE 100, FTSE EuroFirst | | | | |
| SECTOR | Media Agencies | | | | |

| | PROPOSALS | ADVICE |
|---|---|---|
| 1 | **Receive the Annual Report**<br>Strategic report meets guidelines. Adequate employment and environmental policies are in place and relevant, up-to-date, quantified, environmental reporting is disclosed. The Company also disclosed the proportion of women on the Board, in Executive Management positions and within the whole organisation. | **For** |
| 2 | **Approve the Dividend**<br>A final dividend of 28.78 pence per share is proposed, which brings the total dividend for the year under review to 44.69 pence per share. This payment is covered by earnings. | **For** |
| 3 | **Approve the Remuneration Report**<br>The overall payments made to the CEO during the year are considered excessive. The total remuneration of the CEO for the year under review amounts to £70,416,000. The variable pay of the CEO alone amounts to 58 times (5831%) his salary of £1,150,000. His salary is also the highest among its comparator group (WPP being the largest Company of its sector). Such variable pay level is unacceptable as it far exceeds the acceptable ratio of 200% of salary.<br>The value of the Long-Term Incentive element (the LEAP) itself, which is due to vest, represents £62,783,000. The Remuneration Committee explains that this award is 'contractual and it is not possible to reduce awards if the targets have been achieved.' It is noted that the entirety of this award was only based on one metric: relative TSR, which is not appropriate. Also, the Committee states that it 'was and remains comfortable that the value realised under LEAP aligned with very strong returns in terms of share price growth and strong dividend payments'. However, increases in total CEO pay over the last five years (+56% in average) are not in line with the changes in Company's TSR performance over the same period (+28.8% in average).<br>The ratio between the CEO pay (which excludes the long-term element) and the average employee pay is highly excessive at 196:1, as this ratio should not be above 20:1. The maximum variable award opportunity for the CEO, which includes value of EPSP grant and maximum annual bonus opportunity, represents 14 times his base salary. Finally, it is noted that the dividend equivalents paid to the CEO, contrary to best practice, totalled £1,545,000, which is more than his base salary.<br>Overall, it is noted that the CEO has a significant beneficial interest in the Company's ordinary share capital, as he holds 18,869,019 shares representing 1.42% of the Company's share capital with current market value of £300.96 million (based on share price on 16 May 2016). This holding, which includes the consequence of the vesting of previous awards during his extensive period in office, is of a size to invalidate many of the assumptions underpinning his bonus and long-term awards. The shares already held should provide him with substantial alignment with shareholders and incentive to perform. The issue for the company is not his retention, it is his succession and replacement.<br>Rating: AE.<br>The variable pay level is unacceptable as it far exceeds the acceptable ratio of 200% of salary. Increases in total CEO pay over the last five years (+56% in average) are not in line with the changes in Company's TSR performance over the same period (+28.8% in average). Based on these concerns, Triodos opposes this resolution. | **Oppose** |

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| 4 | **Approve the Sustainability Report**<br>Adequate environmental and employment policies are in place and some quantifiable environmental reporting is disclosed. Gender balance at all levels of the Company is disclosed. Acceptable proposal. | **For** |
| 5 | **Re-elect Roberto Quarta**<br>Chairman. Independent upon appointment. He is also Chairman of Smith & Nephew, a FTSE 100 company. It is considered that a chair cannot effectively represent two corporate cultures. The possibility of having to commit additional time to the role in times of crisis is ever present. Given this, a Chairman should focus his attention on only one FTSE 100 company at a time. In addition, there are concerns over his position as a Remuneration Committee member. Triodos abstains on this resolution. | **Abstain** |
| 6 | **Re-elect Dr Jacques Aigrain**<br>Independent Non-Executive Director. | **For** |
| 7 | **Re-elect Ruigang Li**<br>Independent Non-Executive Director. | **For** |
| 8 | **Re-elect Paul Richardson**<br>Finance Director. 12 months rolling contract. | **For** |
| 9 | **Re-elect Hugo Shong**<br>Independent Non-Executive Director. | **For** |
| 10 | **Re-elect Timothy Shriver**<br>Independent Non-Executive Director. | **For** |
| 11 | **Re-elect Sir Martin Sorrell**<br>Chief Executive Officer. His service contract may be terminated by either the Company or Sir Martin without any notice, and without any payment in lieu of notice. | **For** |
| 12 | **Re-elect Sally Susman**<br>Independent Non-Executive Director. | **For** |
| 13 | **Re-elect Solomon Trujillo**<br>Independent Non-Executive Director. | **For** |
| 14 | **Re-elect Sir John Hood**<br>Independent Non-Executive Director. | **For** |
| 15 | **Re-elect Charlene Begley**<br>Independent Non-Executive Director. | **For** |
| 16 | **Re-elect Nicole Seligman**<br>Senior Independent Director. Considered independent. | **For** |
| 17 | **Re-elect Daniela Riccardi**<br>Independent Non-Executive Director. | **For** |
| 18 | **Appoint the Auditors and Allow the Board to Determine their Remuneration**<br>Deloitte proposed. Non-audit fees represented 48.02% of audit fees during the year under review and 47.50% on a three-year aggregate basis. This level of non-audit fees raises some concerns about the independence of the statutory auditor. The current auditor has been in place for more than ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. | **Oppose** |
| 19 | **Issue Shares with Pre-emption Rights**<br>The authority is limited to 33.3% of the share capital and another 33.3% in connection with a Rights Issue. All directors are standing for annual re-election. This resolution is in line with normal market practice and expires at the next AGM. Acceptable proposal. | **For** |
| 20* | **Authorise Share Repurchase**<br>The authority is limited to 10% of the Company's issued share capital and will expire at the next AGM. | **For** |
| 21* | **Issue Shares for Cash**<br>The authority sought is limited to 10% of the issued share capital and expires at the next AGM. This exceeds the recommended 5% maximum. Triodos opposes this resolution. | **Oppose** |

## SUPPORTING INFORMATION FOR RESOLUTIONS

### Proposal 5 - Re-elect Roberto Quarta

It is noted that Mr Quarta also sits on the Remuneration Committee of both WPP and Smith & Nephew. It is noted that both Companies remuneration practices raises serious concerns and have been highly criticised by shareholders over the previous years. The Smith & Nephew's Remuneration report resolution received a majority of oppose vote at its AGM held on 9 April 2016 (53.01%). WPP's remuneration structure is highly excessive, as described in resolution 3, and received a significant number of vote against during previous years. These two situations raises concerns about his ability to sit on the Remuneration Committee and act in shareholders' best interest.

The role of the Chairman is considered to be crucial to good governance as they are primarily responsible for the culture of the board, and by extension the organisation as a whole and for ensuring that the board operates effectively. The possibility of having to commit additional time to the role in times of crisis is ever present, particularly in diverse international, complex and heavily regulated groups or groups which are undergoing significant governance changes. As such the Chairman should be expected to commit a substantial proportion of his or her time to the role.

### Proposal 21 - Issue Shares for Cash

The Company has stated that this authority will only be used in respect of more than 5% of the issued share capital to fund one or more acquisitions or specified capital investments, in line with the Pre-Emption Group Guidelines. This recommendation is not supported by PIRC.

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