Triodos Investment Management

WPP PLC

MEETING DATE	Wed, 13 Jun 2018 12:00	TYPE	AGM	ISSUE DATE	Tue, 05 Jun 2018
MEETING LOCATION	Purcell Room, Southbank Centre, Belvedere Road, London SE1 8XX				
CURRENT INDICES	FTSE 100, FTSE EuroFirst				
SECTOR	Media Agencies				

	PROPOSALS	ADVICE
1	**Receive the Annual Report** 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. Triodos supports this resolution.	**For**
2	**Approve the Dividend** A final dividend of 37.3 pence per share is proposed, which brings the total dividend for the year under review to 60 pence per share. This payment is covered by earnings.	**For**
3	**Approve the Remuneration Report** Overall disclosure is satisfactory. However, the remuneration report received significant shareholder opposition at last year's AGM (20.79%). The Committee has included a statement which highlights the reasons for the significant level of shareholder opposition, and has highlighted shareholder engagement in the past which references the reason for the significant level of opposition. The CEO's salary is in line with the rest of the Company, as the CEO's salary did not change while the change in employees' salaries was an increase of 1.8%. The CEO's salary is in the upper quartile of the Company's comparator group. The balance of CEO realised pay with financial performance is considered acceptable as the change in CEO total pay over five years is commensurate with the change in TSR over the same period. EPSP awards granted during the year under review are highly excessive at 601% of salary for the CEO. Total variable pay for the year under review is highly excessive, amounting to 1060% of salary for the CEO; this considerably exceeds the recommended limit of 200% of salary. There was no pay-out under the STIP due to performance targets not being achieved. A significant portion of the CEO's variable pay for the year under review was paid in the form of dividend equivalents, which is contrary to best practice. Dividend equivalents amounted to £2,170,000 for the CEO - 188.9% of his salary. The ratio of CEO pay compared to average employee pay is unacceptable at 81:1. There is no mention of any termination payments that are planned or have been made to the recently departed CEO. However, upon engaging with the Company, it was revealed that Martin Sorrell will be treated as having retired on leaving the Company under the share scheme rules. Consequently, his outstanding share awards will be pro-rated for time in line with the plan rules and will vest over the next five years, to the extent performance targets are achieved. No discretion was exercised. He did not receive any compensation for loss of office and he will not be entitled to any future payments in lieu of notice following his retirement. Rating: CD. Triodos opposes this resolution.	**Oppose**

4 Re-elect Roberto Quarta **Oppose**

Chairman. Independent upon appointment. Upon the departure of Sir Martin Sorrell, Roberto Quarta assumed the position of Executive Chairman on an interim basis. The appointment of a chairman in an executive capacity is considered to be an obstacle to independence. The Chairman should meet the definition of independence upon appointment in order to effectively fulfill his role. Given the role of the chair and non-executives in holding the executive management accountable, the Board Chairman should be a separate role to that of an Executive Director, who has operational responsibilities. Nevertheless, there is evidence of de facto division of responsibilities at the head of the Company, as the Company, upon engagement, made clear that Mr Quarta does not have the responsibilities of the Chief Executive, and that the running of the Company is undertaken by the joint Chief Operating Officers. Furthermore, the Company also states that the Board is conducting an internal and external review process on an expedited basis to confirm the appointment of the new CEO, at which point Mr Quarta will return to be the Non-Executive Chairman.

5 Re-elect Dr Jacques Aigrain **For**

Independent Non-Executive Director.

6 Re-elect Ruigang Li **For**

Independent Non-Executive Director.

7 Re-elect Paul Richardson **For**

Finance Director. Twelve months rolling contract.

8 Re-elect Hugo Shong **For**

Independent Non-Executive Director.

9 Re-elect Sally Susman **For**

Independent Non-Executive Director.

10 Re-elect Solomon Trujillo **For**

Independent Non-Executive Director.

11 Re-elect Sir John Hood **Oppose**

Independent Non-Executive Director and Chair of the Remuneration Committee.

The Company's remuneration for the year under review is excessive. Moreover, there is a lack of disclosure regarding the leaving arrangements for Martin Sorrell. As Chair of the Remuneration Committee, Sir John Hood harbours the responsibility to address such issues. It is noted that upon engagement with the Company further information was provided regarding the termination arrangements for the CEO, for which the Remuneration Committee did not exercise upside discretion. He is chair of the Remuneration committee which is not fully independent which Triodos does not support.

12 Re-elect Nicole Seligman **For**

Senior Independent Director. Considered independent.

13 Re-elect Daniela Riccardi **For**

Independent Non-Executive Director.

14 Re-elect Tarek Farahat **For**

Independent Non-Executive Director.

15 Appoint the Auditors **Oppose**

Deloitte proposed. Non-audit fees represented 21.27% of audit fees during the year under review and 33.83% on a three-year aggregate basis. 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.

16 Allow the Audit Committee to Determine the Auditor's Remuneration **For**

Standard proposal.

17 Issue Shares with Pre-emption Rights **For**

The authority is limited to one third of the Company's issued share capital. This cap can increase to two-third of the issued share capital if shares are issued in connection with an offer by way of 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.
Triodos supports this resolution.

18* Authorise Share Repurchase **Oppose**

The authority is limited to 10% of the Company's issued share capital and will expire at the next AGM. This resolution will not be supported unless the Board has set forth a clear, cogent and compelling case demonstrating how the authority would benefit long-term shareholders. As no clear justification was provided by the Board, Triodos opposes this resolution.

19* Issue Shares for Cash **For**

Authority is limited to 5% of the Company's issued share capital and will expire at the next AGM. Within acceptable limits.

20* Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital Investment **Oppose**

The Board is seeking approval to issue up to an additional 5% of the Company's issued share capital for cash for use only in connection with an acquisition or a specified capital investment. Such a proposal is not supported as it is considered that the 5% limit sought under the general authority above is sufficient. Best practice would be to seek a specific authority from shareholders in relation to a specific transactions if such situation arises. As this is not the case, Triodos opposes this resolution.

**** = Special resolution***

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 1 - Receive the Annual Report

Upon engagement with the Company, further information was provided regarding the circumstances surrounding Sir Martin Sorell's departure. Nevertheless, the Company still did not disclose the exact reason behind the resignation, citing that doing so would be a breach of data privacy.

Proposal 3 - Approve the Remuneration Report

The remuneration report received significant shareholder opposition at last year's AGM (20.79%). The Committee has included a statement which highlights the reasons for the significant level of shareholder opposition. The Committee states that it understands that the reasons for the vote were in relation to the level of quantum of the single figure, driven predominantly by the 2012 LEAP (Leadership Equity Acquisition Plan) award which vested in full. The Committee states that it consulted with shareholders in 2013, leading to the replacement of the LEAP with the EPSP. Furthermore, the maximum award levels under both the STIP and the EPSP were reduced as part of the 2017 Directors' Compensation Policy.

Proposal 4 - Re-elect Roberto Quarta

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 20 - Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital Investment

The Company has stated that this additional authority will only be used 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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